

# Cotton Outlook

Special Feature

March 2015



**Bangladesh - Growth and Innovation**



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*Celebrating Silver & Moving Towards Gold*



# Bangladesh Cotton Summit

This is the third of Cotton Outlook's Special Features devoted to Bangladesh's raw cotton market. When the first such publication was produced, in March 2000, the country's spinners were consuming less than 200,000 tonnes annually. By the time our second Bangladesh Feature had appeared, in March 2009, that volume had grown fourfold. And, as we publish our third special feature, in March 2015, raw cotton consumption in the same market appears to be rising inexorably towards a million tonnes. Current mill use in Bangladesh places the country in fifth place in the global ranking of cotton consumers, and second only to China as a raw cotton import market.



This third Bangladesh Special Feature is timed to coincide with the Global Cotton Summit, to be held in Dhaka on March 20 and 21. We are indebted to our various contributors, who write from diverse perspectives, and cover a broad range of topics.

Some consistent themes nonetheless emerge. With growth has come diversification, and innovation. That is as true of the raw cotton trade, in terms of the origins and qualities consumed, as of the garment-manufacturing sector, which has invested in new machinery and sought to diversify its range of products, as well as its target export markets.

The recent period of expansion has also, of course, been fraught with many difficulties and setbacks. Bangladesh has not been immune to the fall-out from the extreme volatility in the world raw cotton market at the beginning of this decade, a period that continues to cast a long shadow. Political instability and industrial accidents such as the Tazreen and Rana Plaza disasters continue to jeopardise growth in the garment export sector. The need for investment in infrastructure and the development of more efficient and sustainable business practices represents a challenge that will not diminish.

It is noteworthy, nonetheless, that all our contributors share a common sense of optimism that, despite the trials and tribulations alluded to, the upward trajectory of Bangladesh's cotton textile and garment sectors will be maintained.

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# Bangladesh Cotton Association



By Muhammad Ayub,  
President.

## Textiles export potential

The textile sector is one of the most developed and prolific sectors of Bangladesh. In the course of time, this sector has emerged as one of the largest contributing sectors of our economy. In the last two decades, it has become the biggest manufacturing sector, capable of producing all sorts of yarn, fabric, ready-made garments (RMG) and a variety of knitwear. It also holds an important position in the area of industrial employment; employing more than 50% of the total active industrial workforce, contributing 13% to our national GDP.

- In the field of exports, 78% of total earnings comes from textile clothing and apparel, which is indeed noteworthy. According to the World Trade Organization (WTO), Bangladesh has emerged as the second largest RMG exporting country and in 2013/14, the earnings from this sector were over US dollars 21.50 billion.
- The call from global analysts is that Bangladesh can become an export house provided it can get its act together and seize the opportunities presented. We know a big opportunity is unraveling right in our neighborhood. With wages rising, China is fast becoming uncompetitive in most of its labour intensive exports. Textiles are one area. At present, the share of China in global RMG exports is almost 30%. Bangladesh with its 5% share of the global US\$450 billion RMG market should take this opportunity to increase exports.

To supply the spinning mills with raw cotton, cotton is sourced from different producing countries. At least thirty cotton-producing countries are in the market supply chain. Growths from African origins have been gaining market share. Benin, Burkina Faso, Cameroon, Mali, Senegal, Sudan, Tanzania, Uganda, Zambia and Zimbabwe are arriving in modest quantities. Indian styles are now dominating the cotton market of Bangladesh. However, the dynamics were totally different a

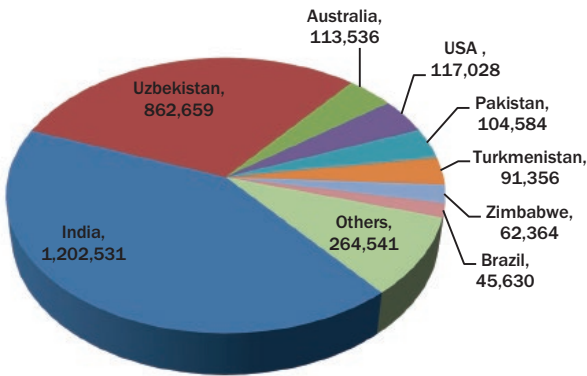
decade ago. In 2004/05 Bangladesh imported 65% from Uzbekistan, 10% from India and 25% from other countries. Since 2010 Uzbekistan has been losing market share to India; in 2014, 1.33 million bales were imported from India, which amounted to 39% of total cotton imports.

Origin / Growth	Quantity (Bales)			
	2011	2012	2013	2014
Australia	113,536	107,701	135,796	84,349
Benin	-	-	47,345	-
Burkina Faso	-	-	61,499	111,952
Brazil	45,630	60,964	-	-
Ivory Coast	-	-	-	58,784
India	1,202,531	1,279,271	1,122,625	1,334,293
Mali	-	70,753	67,685	100,682
Pakistan	104,584	155,827	81,988	74,670
Tajikistan	-	140,350	170,184	106,834
Turkmenistan	91,356	383,078	267,604	417,673
USA	117,028	84,750	120,491	101,391
Uzbekistan	862,659	816,458	973,549	721,086
Zambia	-	-	96,173	50,680
Zimbabwe	62,364	114,110	84,489	34,016
Others	264,541	230,992	268,385	259,738
<b>TOTAL</b>	<b>2,864,229</b>	<b>3,444,254</b>	<b>3,497,813</b>	<b>3,456,148</b>

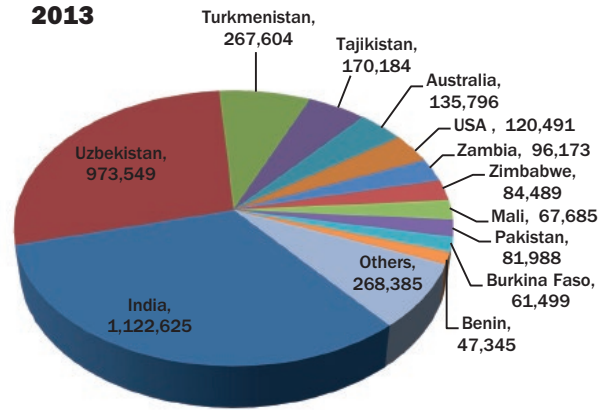
Type of Raw Cotton Imports:	1-1/6", 1-1/8", 1-1/32, 1-5/32 etc
Other Raw Materials Used:	Polyester, Viscose and Acrylic Staple Fibers, Chips and pet Chips, Cotton waste
Main Products:	Yarn 5-100 counts (both for knit and Woven) Synthetic and Filament Yarn, All kind of cotton and knit Fabrics

Year	Spinning Mills	Spindle Capacity	Raw Cotton Consumption
2006	263	5.62 Million	2.10 Million Bales
2014	424	10.50 Million	4.20 Million Bales
2015	430	10.65 Million	4.26 Million Bales
2021	600	16.50 Million	7.50 Million Bales

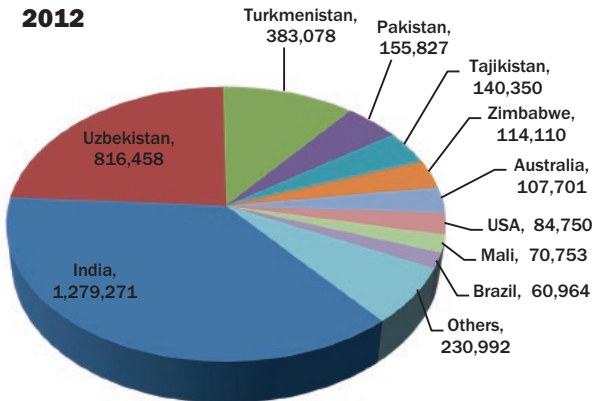
### Import Position 2011



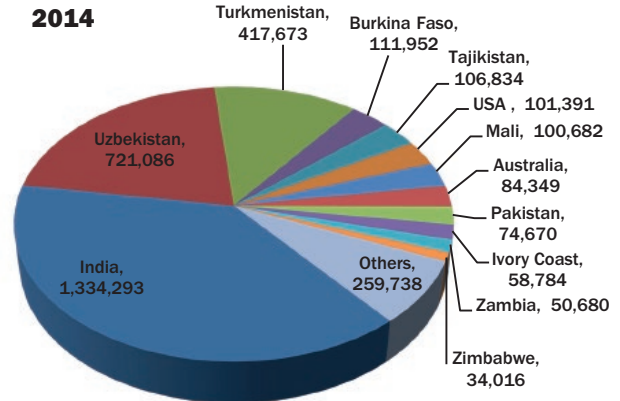
### 2013



### 2012



### 2014



### Contribution of Textiles :

- Investment in the primary textile sector: over US\$4.0 billion .
- 40% Industrial value addition come from textiles.
- Over 80% of export earning comes from textiles & garments.
- 90% of domestic fabrics and 100% yarn requirements for knit garments are met by the primary textiles sectors. Provides jobs in fibre and fabric, waste recycling. Generates a huge client base for banking, insurance, shipping, transport, hotels, cosmetics, toiletries and related sectors.

We know that the total global market of RMG is worth US\$450 billion and that the present share of Bangladesh is only 5% while that of China is 31%.

As per a report by McKinsey & Company, Bangladesh will be exporting a huge amount of ready-made garments, equivalent to US\$40 billion. The renowned financial organization JP Morgan has stated that Bangladesh is one of the promising members of the "Frontier Five", along with Russia, Brazil, India and China. According to Goldman Sachs, Bangladesh has been listed in the "Next 11 after BRIC". These predictions point to the huge potential of our textile sector.

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# The Regulatory Challenges and Vision of the Textile Industry



By Tapan Chowdhury,  
President, BTMA.

During the last couple of decades Bangladesh has climbed by revamping, reshaping the economy, making a stride into textiles and a positive mark in other contemporary industries. The government of Bangladesh undertook a deregulation policy in the 1980s that opened up a new era of industrialisation by injecting more entrepreneurships and private sector investments.

At the same time, Bangladesh was privileged under the WTO's MFA. The Bangladeshi textiles sector worked hard to utilise the opportunities derived from the international market place and local supporting environment.

One of the challenges for Bangladeshi Primary Textiles Sector (PTS) was to source raw cotton, as Bangladesh harvests an insignificant amount. The sector depends on importing cotton mainly from India, the USA, Central Asia and Africa.

Gradually, the industry has achieved significant success. During 2014, BTMA had private sector 1,430 yarn, weaving, dyeing and finishing mills, of which 407 were yarn manufacturing mills with a production capacity of 2,100 million kgs. In 2013 and 2012 the comparable figures were 392 yarn manufacturing mills, with 2,000 million kgs capacity, and 385 yarn manufacturing mills, with 1,950 million kgs of capacity, respectively.

Even after the phasing out of the MFA regime in 2005, Bangladesh has proven its strength in the textile industry with a continuous development in the midst of a highly competitive international textile market.

The industry is tirelessly working to achieve a US\$50 billion target in RMG exports. To support that, the textile backward linkage industry (PTS) needs to grow further, which will thus create more demands for cotton, as well as man-made fibres. In the meantime, Bangladesh has grown into the second largest global cotton importer, as the demand of our RMG intensifies. Imports of cotton into Bangladesh are expected to exceed 6 million bales by 2021.

## Challenges faced by the textile Industry:

Bangladesh faced enormous challenges in cotton trade to feed the increasing demand -

Bangladesh harvests very little cotton locally, extreme volatility in the global cotton market due to speculative manipulation has resulted in huge financial losses

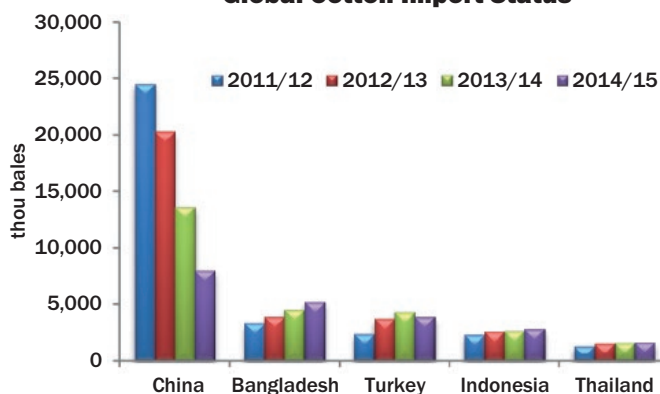
Sudden and unexpected cotton export bans from exporting countries from time to time have caused losses.

Some exporters did not perform the contractual obligations due to frequent price changes taking advantage of a volatile situation. Temporary bans and restrictions from some countries have caused some defaults by both non-payment and non-delivery of goods.

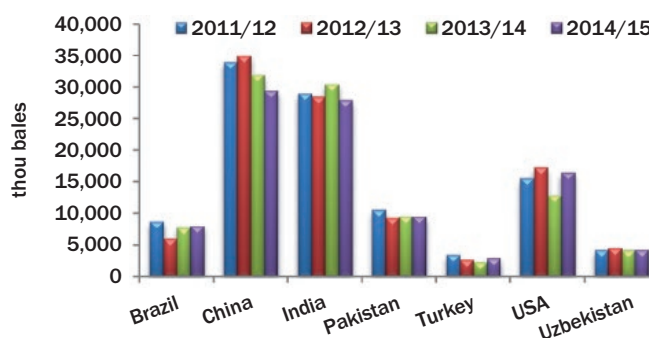
## Snapshot of Global Cotton Import and Production:

Both the accompanying charts represent the global import and production scenario with the State of Bangladesh, the second largest Importer over last couple of years, versus China's imports and production. The chart demonstrates how rapidly the demand of raw cotton has increased in Bangladesh over last couple of years.

Global Cotton Import Status



Global Cotton Producing Status





## Role of ICA and impact of Cotton Trade in Bangladesh:

ICA was established in order to protect and promote global cotton trade for cotton buyers, suppliers and brokers involved through a set of rules and bylaws to bring a safe cotton trading environment. Over time the rules have changed, but the aim remains the same - a safe trading environment. Almost 80 percent of global cotton is traded under ICA rules and bylaws. Bangladesh spinners came across tremendous difficulties as a result of cotton traded with some counterparts as contracts were made under ICA rules and bylaws. There have been reported, on many occasions, a large number of defaults brought against them. This issue of default cases increased alarmingly following the uncontrolled price increases of cotton in 2011. The unresolved default issue has hampered the trade of cotton.

Our spinning mills are of the view that various inconsistencies can be found in the rules and bylaws of the ICA in relation to the contemporary cotton trade, which have led to several disputes and defaults. We can outline a number of ICA rules and bylaws against which spinners and cotton importers have expressed their concern as these were found to be favouring shippers/sellers more than importers and fail to address the equality of Interest. These are General Bylaws 102 and 103, Rule 239, Rule 211, Rule 215, Rule 212, Rule 220, Rule 207, 208, 228, Arbitration Bylaws-Bylaw 316, Bylaws 337, Bylaw 315,

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Bylaw 100 etc. These aforementioned rules and bylaws need to be addressed properly to ensure the interests of importers are served as well.

## Recommendations to improve Cotton Trade Perspective:

We would like to make some recommendations to endeavour to remove discrepancies and predicaments to pave the way for a congenial, fair trade environment.

- All aforementioned bylaws as well other by-laws, which in our view favour unjustifiably the seller should be reviewed.
- Training and workshops should continue to be held on ICA laws and regulations for agents, Importers, yarn manufacturers and relevant stakeholders engaged in cotton trade so as to increase awareness.
- Mediation should be offered as an alternative way of settling disputes as it is flexible and convenient to both parties to work towards the removal of a default.
- Extension of arbitration and mediation service in Bangladesh for quick settlement at less cost.
- More consultation with ICA senior management to keep lowering the differences arising from cotton trade to improve trade relations.

In the process of the textile industry's present position of backward linkage industry, the government of Bangladesh extended monetary, fiscal and other supports on different occasions. These textile friendly support policies helped to reverse the crises and achieve the impressive growth of the textile sector. In the context of frequent ups and downs in the cotton trade, there is a strong and definitive need for governmental support to continue.

The relevant initiative of the government in collaboration with textile trade bodies can work together to minimize the regulatory challenges and risks associated to safeguard a sustainable cotton trade and economic interests of the second global leading cotton importer and RMG exporter.

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# Development and Evolution of Bangladesh Knitwear Industry: Looking Beyond the Horizon



By A.K.M Salim Osman, MP  
President, BKMEA.

## Prelude:

The knitwear industry contributes to the Bangladesh economy by generating employment (specially for women), raising export earnings, and bringing various other social benefits. Bangladesh now holds the number two position in the world in terms of knitwear exports and may possibly usurp China's number one position in the future. The value addition from the knitwear sector is about 75%. The contribution to GDP in the 2013/14 financial year was about 6.92% .

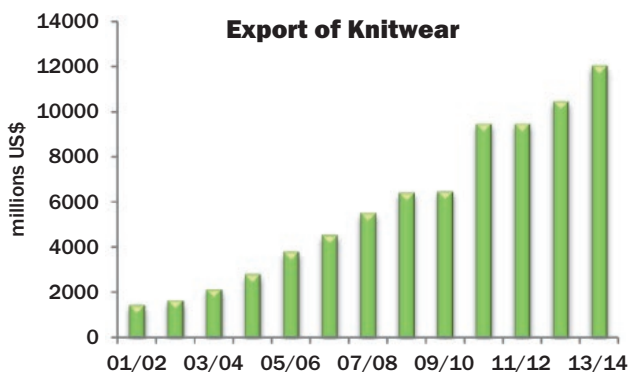
The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) is the representative trade body of the knitwear sector. BKMEA's motto is "to stay afloat in the international competition and markets with chic, elegant quality products". We are working continuously to strengthen the sustainable capacity building process and ensure quality to address worldwide tastes and demands.

Bangladesh Knitwear Industry: Vision for Future			
Fact	FY 2014-2015	Vision - 2021	Vision - 2050
Knitwear Export	\$13.25 Billion (Targeted)	\$21.08 Billion	\$32.62 Billion
Growth of Knit (%)	15.6	20.9	32.1
Share in Apparel Export (%)	49.75	52.3	69.4
Share in National Export (%)	39.93	41.7	53.2
Share in GDP (%)	6.9	7.2	12.12
Employment Generation	1.6 Million	2.8 Million	4.9 Million
Female Empowerment (%)	45	52	67
Enhancement of Women Savings (%)	8.8	13.69	29.2
Poverty Reduction (%)	6.4	7.5	9.1
Banking & Insurance	BDT 176 Billion	BDT 187 Billion	BDT 201 Billion
Shipping & Logistics Industry	\$79 Million	\$84 Million	\$ 91 Million
Forward & Backward Linkage Industry	BDT 212 Million	BDT 221 Million	BDT 254 Million
Engineering Sector	\$10.1 Million	\$ 14.1 Million	\$ 19.4 Million
** Econometric forecasting methods: Autoregressive moving average with exogenous inputs (ARMAX), Forecast skill (SS) and Regression analysis			

## Growth Structure & Future Projection about Knit Product:

The recent robust growth has been partly achieved by the preferential support given from the European Commission's GSP & Relaxation of Rules of Origin (ROO) and the Duty Free Quota Free (DFQF) access granted by Can-

ada, Australia, Japan and members of the European Free Trade Agreement (EFTA). At the same time, the growth is also a result of favourable policies by the Government of Bangladesh, making it the most attractive sourcing hub in the world. Cashing in on this positive impetus, BKMEA has devised a plan to diversify its export destinations to buffer against the contraction and budget-cut economic situations prevailing in the EU and beyond.



## Performance Apparel Development: Bangladesh in the World Cup

Bangladesh has supplied a considerable amount of jerseys and shorts for different teams in the FIFA World Cup in 2010 & 2014. This statement poignantly oozes the frisson of the capacity of Bangladesh Knitwear sector and authenticates the dependability and reliability that Bangladesh has been able to create across the globe. Bangladesh supplies huge amounts of sports items to the world's recognized sportswear importers and retailers like PUMA, Adidas and NIKE.





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The worldwide market for performance sportswear is currently valued at US\$6.40bn, which has grown by 19.4% over the last four years, and is expected to increase by a further 18.75%, to US\$7.6bn, by the end of 2014. According to the forecasting trends of performance apparel, sportswear will continue to grow faster for men than for women and most of the growth will be in North America, East Asia and Europe. With an exclusive design pattern, skilled workforce, latest technology, available raw materials and huge experience, the Bangladesh knitwear sector has closely watched this development and is looking to encourage factories in performance apparels to be ready to grab the huge potential markets in the coming 5-10 years.

## Bangladesh: Sourcing Hub across the World

Bangladesh is a land of very strong textile industries, quality garment industries and established buying hubs. The Bangladesh knitwear industry has gained second place, leaving Turkey behind, in the global market. To ensure the development is sustainable, we have established a healthy business environment and excellent standards for a close and mutually beneficial relationship among the manufacturers, exporters and importers in the process, ensuring a steady growth in the foreign exchange earnings of the country.

Bangladesh's exporters are known for supplying good quality and large order sizes for the value and lower mid-market. They are now expanding into more value-added services. Starting from producing buttons, labels, apparel papers, threads, and all types of appliqué, embroideries, printings, fabrics, designs works, even services like dyeing, washing, ironing etc. are also performed in Bangladesh.

### Specific Advantages of Knitwear Sector of Bangladesh:

- Knitwear is self-sufficient sector; currently the sector is supplying 90% of the knit fabric requirement.
- Local suppliers provide a large amount of yarn for the industry.
- Many garments have their own dyeing and finishing units.
- A separate dyeing and finishing industry has also grown up over time to support the sector.
- More than 200 composite factories are in existence.
- Bangladesh knitwear has an almost unbeatable price advantage.
- Bangladesh has a competitive labour force, which is peerless in stitching capability.
- Knitwear is exported to 153 countries
- Strong backward linkage facilities have been established.
- Long experience has been gained of the apparel business and a value chain has been created across the globe.
- More than 2,000 knitwear factories have been established.

However, Bangladeshi Knitwear Entrepreneurs are still working on development of the entrepreneurial skills, improving the existing productivity, developing the living standards of workers and providing a green, healthy working environment. In this connection BKMEA plays a catalytic role in amalgamating all these factories into a simple order and implementing those factors in the member factories.

### Comparative Advantages of Bangladesh Knitwear Industry:

- High quality, diversified products.
- Duty-free and quota-free access to the markets of several developed and developing countries, such as EU, Canada, Australian and Japan etc.
- Strong backward linkage industry in the knitting sector & growing capacity in the woven sector.
- Socially and environmentally compliant factories.
- Child labour free factories.
- Environmentally compliant ISO, BSCIS, WRAP, OKETEX etc. certified factories.
- Vertically integrated.
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- Productivity campaign to ensure the best quality products.
- Ensuring quality assessment process for the products-to-be-made.
- Linkage of factories with environmentally and chemical sustainability programmes.
- Adopting a 'green factory' mechanism for a sustainable industrial build-up.
- Application of CPM (Clean Production Mechanism) in factory production strategies.
- Structural adjustment policies of the factories according to the demands of ILO, ACCORD, ALLIANCE and other related international bodies.
- Most factories are being inspected by Bangladesh University of Technology and Engineering (BUET), thus ensuring structural safety for the overseas importers.



Picture: Large share of their sourcing value away from China to other countries over the next 5 years, Compiled by KMPG Report-2013, McKinsey's apparel CPO survey 2013 & World Bank.

## Future Prediction and Strength of Bangladesh Knitwear Industry

Bangladesh is becoming more and more significant for the apparel retailers and fashion brands worldwide as the country is consistently providing the C&M service at the most competitive price whilst maintaining acceptable quality standards. Commitment, competitive price and high quality products are the main driving forces behind the rise in exports of garment items to new destinations.

Other competing countries like China, Vietnam, India and Pakistan are facing higher costs of production; Bangladesh is becoming more popular with garment buyers on price grounds.

Forecasts show that Bangladesh will become a giant knitwear exporter, generating revenue of US\$32.62 billion, at a growth rate of 32.1%. Knitwear's contribution to GDP will be 12.12% by the year 2050.

## Sourcing Decision: Bangladesh Top Choice

Retailers are betting on Bangladesh's garment industry more than that of any other country in the coming years, according to the Wall Street Journal. Bangladesh's US\$20 billion garment business came out ahead of Vietnam and Cambodia in the ranking of countries with the highest potential for future sourcing, according to a new study by consulting firm McKinsey & Co. "Bangladesh is going to be No. 1," a recent study shows.

The new research shows that production capacity and price appear to trump safety and labour issues when it comes to choosing where to source clothes from. The minimum wage structure and high number of garment factories in Bangladesh have made the country a magnet for global retailers. Importers have formed safety pacts aimed at improving working conditions and this also has helped improve the industry's image. Clothing makers from around the globe are now planning to increase their reliance on Bangladesh.

For now, China remains the world's largest garment producer by far, with more than \$150 billion in annual exports. But the minimum wage is three times the \$68

monthly base rate of Bangladesh. Bangladesh is tied with Italy for the No. 2 spot for current exports; Italy is historically a major producer of fashion and accessories, but is declining in importance.

Bangladesh will be able to export US\$ 1.0 billion worth of RMG to China within a few years. There will be demand of US\$ 650 billion in the global clothing and apparel market by 2020, of which there is a scope for Bangladesh to account for \$44.56 billion. China is an untapped opportunity for Bangladesh. Furthermore, Bangladesh is a lucrative destination for Chinese consumers as duty-free goods are 10 to 15 percent lower in price.

Other reasons behind the top retailers' interest in Bangladesh knitwear include the availability of skilled labour, lower costs of utility services, convenience of duty-free, custom bonded warehousing, GSP advantages, a simplified tariff regime, compliance to worked and easily accessible infrastructure.

## Conclusion:

Bangladesh exports 35 types of garment products to about 152 countries. The RMG sector is a fully export-oriented industry. Given the remarkable entrepreneurial initiatives and the dedication of its workforce, Bangladesh can look forward to increasing its share of the global RMG market. This promises the creation of millions of additional jobs

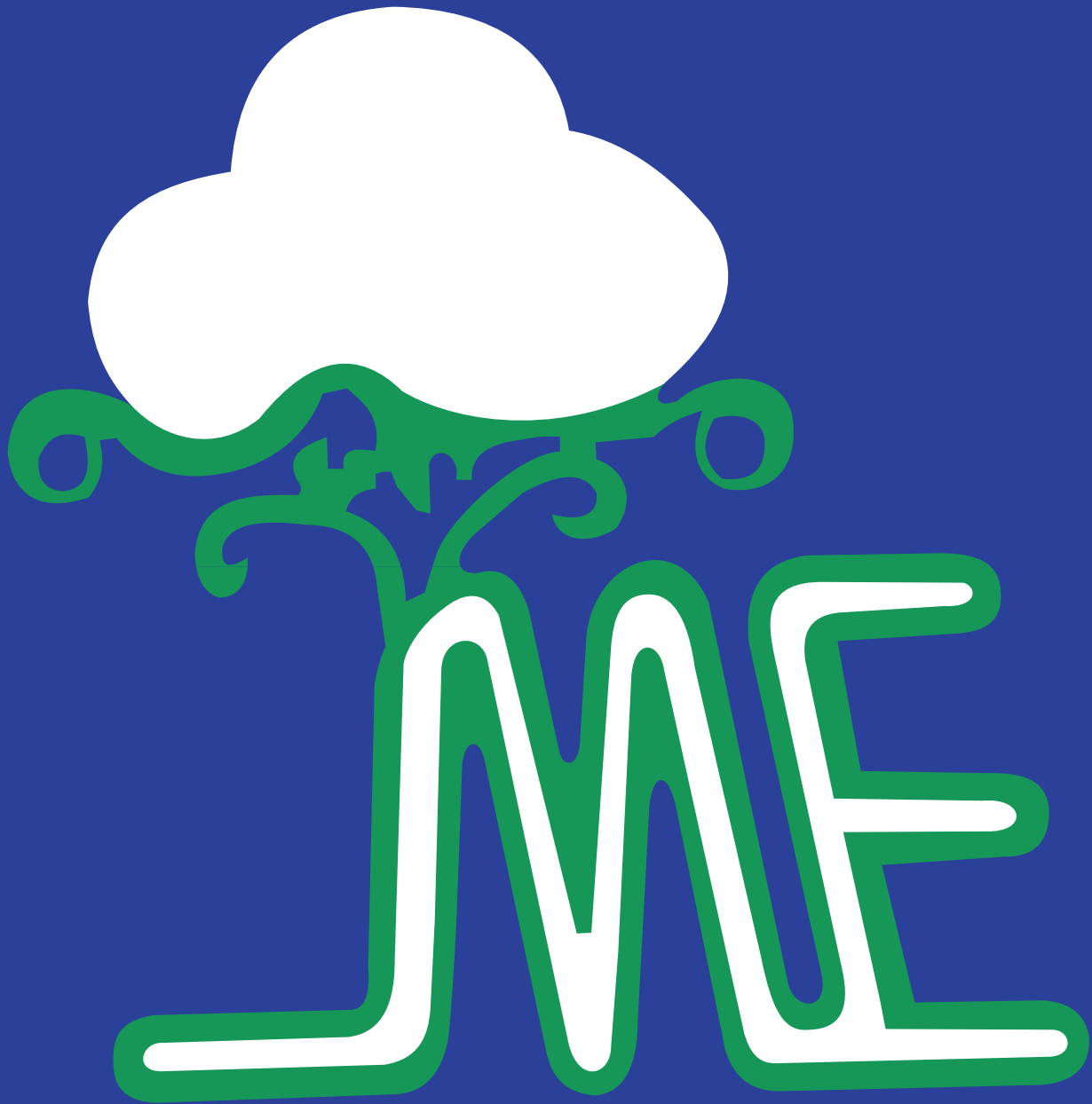
All these facts and figures boil down to the reality that in the coming days, Bangladesh is going to lead the world in exporting RMG. A glorious future is, indeed, beckoning! Reasonably, BKMEA has its own motto: "Working today to shine tomorrow", which poignantly reflects how we (Bangladesh) intend to reign supreme in the international markets in the days ahead.

So, vision is in hand and we must make it happen!

A.K.M Salim Osman is a Member of Parliament, Bangladesh National Parliament and President, BKMEA (an internationally reputed Trade Association in Bangladesh).



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# Changing Times, Changing Practices



By Md. Rezwan Sadat,  
Mahmud Group

RMG and textiles in general have been major contributors to Bangladesh's exports for quite a long time. The manufacturing sector is chiefly dominated by these industries. Adaptation to newer products, machineries and manufacturing processes, coupled with financially favourable labour availability, has allowed Bangladesh to flourish as a major player in this field. However, business practices, until recently, have not shown much innovation or adaptation to modern global trends.

The industry is responding gradually to the call for more successful business models, particularly in procurement and diversification.

Bangladesh: Primary Textile Sector (Spinning) Capacity and Growth				
Year	No. of Mills	Spindle Capacity	Growth in No. of Mills	Growth in Spindle Capacity
2006	260	5,500,000	8.70%	11.39%
2007	283	6,000,000	8.85%	9.09%
2008	341	7,200,000	20.00%	20.00%
2009	350	7,600,000	2.60%	5.60%
2010	373	8,700,000	6.60%	14.50%
2011	392	9,600,000	5.60%	10.30%
2012	392	9,800,000	0.00%	2.10%
2013	392	9,800,000	0.00%	0.00%
2014	407	10,300,000	3.83%	5.10%

Bangladesh: Production and Consumption of Yarn and Fabric Rise				
Years* (Fiscal Year)	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

## Growth at a Glance

Bangladesh has been growing at a phenomenal rate when it comes to textiles and RMG. Not only in cutting, making and tailoring, but also by excelling at spinning and weaving. Capturing a larger part of the value chain ensures a greater value addition and larger employment as well. Declaration of this sector as a thrust sector, coupled with fiscal, financial and institutional benefits, has delivered a vital push towards attaining the current state.

## Diversified sourcing

Until recently, the main variety of cotton entering Bangladesh was of Uzbek origin. In 2008-09, approximately 70% of imports were from this origin. However, by 2013, the proportion had dropped to around 20-30%, as African and Indian growths gained preference. Discouraging factors for Uzbek cotton, coupled with encouraging factors for African and Indian cottons as follows have brought about this change.

Factors discouraging Uzbek Cotton:

- Some Western retailers have rejected Uzbek cotton on ethical grounds.

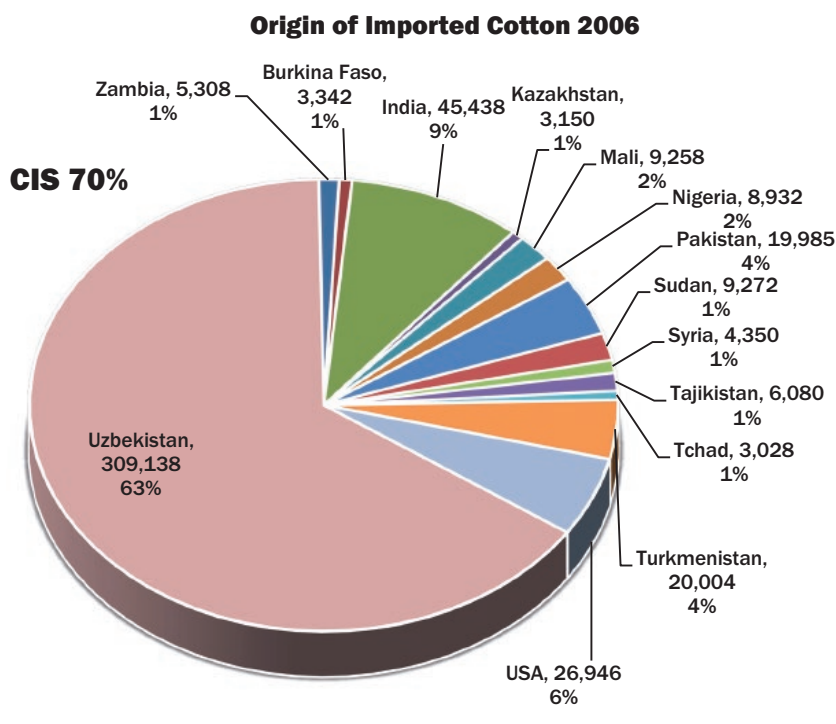
Primary Textile Sector Scenario 2014 (Source: BTMA)			
Sub Sector	No. of mills	Installed Capacity	Production Capacity
Textile Spinning	407	10.3 mil spindle 0.218 mil rotors	2100 mil kgs
Textile Weaving	787	Shuttle-less: 30090	2800 mil meters
1. Woven: 646		Shuttle: 16916	
2. Denim: 26		Total: 47006	
3. Home Textile: 22			
4. Knit Fabrics: 93			
Dyeing-Printing & Finishing Mills	236		2600 mil meters/kg
Woven Dyeing: 1700 mil m			
Yarn Dyeing: 300 mil kg			
Knit Dyeing: 600 mil kg			



- Cotton production is under government control. The pricing policy is rigid and not adaptive to market forces.
- L/Cs cannot be opened direct with Uzbekistan. L/C discounting has to be done via other parties, resulting in increased cost and hassle.
- Most of the cotton exported from Uzbekistan is shipped via Bandar Abbas, Iran, which is not currently usable by certain shipping lines.
- An alternative is the Ukrainian port of Ilychevsk but the recent instability in the region makes use of this route problematical.
- Uzbek cotton, despite its finer hand feel, offers lower value for money.

Factors encouraging African and Indian cotton:

- African cotton quality has improved significantly and is on par with other quality growths around the world.
- African cotton provides better value for money.
- The harvesting time for African cotton is very favorable. The bulk of the supply becomes in March-July, which is very useful since it covers the seasonal gap left by harvest (August-December) and major exports (Nov-June) of US cottons.
- Indian cotton quality has also improved. Indian cotton can be promptly imported via Benapole landport. This is also facilitated by the fact that many traders, anticipating the need, store cotton on the Petrapole side of the border. India now also ships directly to Chittagong, reducing the cotton import lead time to a bare 12-15 days.
- Both African and Indian growths are available as BCI (Better Cotton Initiative).



Another notable development is the loss of Egyptian Giza cotton's monopoly for finer count spinning. India DCH-32 has captured a portion of the market, due mainly to better accessibility and a favourable price.

### Different pricing and purchasing pattern

The traditional, strongly-rooted buying pattern in Bangladesh was to buy at a fixed price, often from local vendors. Negotiation remained at the stage of comparing between different offers. Direct communication with major traders was not much in evidence. This has now changed, in that many cotton importers are dealing with the major traders. Moreover, apart from fixed pricing, futures trading is gradually increasing. Currently, the market is restricted to basis buying only. Without approval from Bangladesh Bank regarding hedging approval, the industry suffers.

Other pricing methods being tentatively offered include maximum and minimum guaranteed prices. However, the momentum is in basis buying.

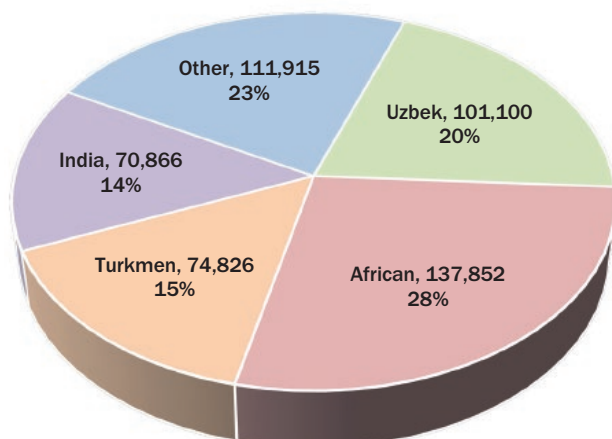
Shippers are also providing 'afloat' rates where LCs are being issued for cottons consigned in Singapore or Malaysia. The advantages are reduced shipment time and thus blockage of funds for a shorter period.

### Sustainability

Sourcing and procurement are not only limited to getting the best value for money. Currently, manufacturers and retailers alike are more inclined to be as responsible in their ventures toward the society and environment as possible. This is reflected in their actions via CSR, responsible sourcing and environmental consciousness. As a result of these movements, there is an uptrend in the use of BCI cotton, CmiA (Cotton made in Africa), and organic, despite their additional cost.

### Cotton Import (MT) by Origin

Aug - Dec 2014



## Awareness

The textile and RMG industries are also becoming more conscious about the importance of being part of global regulatory bodies and associations. After the formation of *Accord and Alliance*, a majority of the industry players are trying to conform to the regulations. Moreover, many new players are registering with the ICA (International Cotton Association). Awareness of and compliance with the rules, bylaws and arbitration of ICA reduces the chance of being susceptible to contractual default. As a result, the number of defaulters is decreasing as the years go and goodwill is being recovered. After the Tazreen Fire incident and Rana Plaza collapse, the industry reputation suffered a setback. However, it also served as an eye opener for international retailers, for which sensible sourcing has subsequently become a huge agenda. Moreover, platforms came into action to aid the industries in Bangladesh to attain the proper safety and standards. As a result, after inspections, compliant industries are on the rise and safety is on a definite upturn.

Inspection status of RMG manufacturing facilities as of July 14 (Source: DIFE)				
	NTPA	Accord	Alliance	Total
Target Factories	1500	1400	589	3489
Inspection completed	380	1103	589	2072
Referred to review panel	2 (2)	38 (18)	25 (14)	65 (34)
Partially closed	1(1)	8 (5)	8 (4)	17 (10)
Closed	1(1)	24 (9)	4 (2)	29 (12)
Decision pending		0		0
Allowed Operation		6 (4)	13 (8)	19 (12)

\*Number in brackets indicates buildings

## Production & Integration

Production practices have undergone changes as well. Bangladesh was mainly known as an exporter of RMG. However, many large players are now moving towards some means of vertical integration. Therefore, there are existing and emerging composite mills, where all the steps between cotton procurement and completion of the final, wearable product are undertaken by one organization. As a result, more spinners and weavers are entering the field. More cotton is being imported rather than yarn or whole fabric. This scenario provides multiple benefits for the industry.

- Quantity and quality can be controlled easily. While quality standards can also be maintained in imports, it is difficult to do so with quantity. In case of composite mills, they can produce the quantity as per their requirements. So, small amounts for samples, or a small order for preliminary trials and relation building, can be completed easily.
- The time required is reduced. Since production is done on site, the time required for the import procedures and shipment can be skipped. Therefore, cotton procurement can be planned in advance without the complicated focus needed for yarn on fabric imports.
- Diversification is also easily possible. A single order can contain small amounts of different products which can easily be customized. This provides

mills with greater flexibility.

- Greater value addition is possible. Since, a larger part of the value addition takes place domestically, it is easier for firms to access the cash incentive for 20% value addition. Consequently, cost control is also easier.

Moreover, a greater diversity of products is now made. Previously, the lower end of the market was captured by Bangladesh. However, diversified and customized high-end products are also catered for by Bangladeshi industries. A very good example is fancy fashion yarn, made from a high quality cotton/Lycra blend.

## Government Steps & Infrastructural Developments

The government has always been proactive when it comes to the export-oriented sector. The sector already enjoys tax exemption benefits via bonded warehouse facilities. However, newer incentives are on the way.

Current export promotion efforts take the following forms:

### Financial

**Export diversification:** Government has declared cash incentives of 3% on exports of new textile products and textiles exports to newer markets (markets other than US, EU and Canada) for the FY 2014-15.

**Cash incentive:** Export-oriented textile sector can receive 5.25% cash incentive if the bonded warehouse facilities are not utilised.

**Funding benefits:** There is a current EDF (Export Development Fund) amounting to \$ 300 million available at a low rate of interest for export-oriented manufacturers. Current EDF interest rate is 2.5% above the LIBOR rate calculated for 6 months

**LC:** UPAS and Usance LC is now available which greatly addresses and eases financing issues for textile industries importing raw materials.

Other government benefits targeted towards the Primary Textile Sector (PTS) are:

- Import duty and VAT have been reduced to zero on synthetic/polyester staple fiber, viscose fiber, and artificial fiber Tow, Modals & lycels imported by BTMA member mills.
- VAT has been reduced to zero on Modals & lycels imported by BTMA member mills.
- Import duty has been reduced to 5% from 10% on Flux Fiber.
- Import duty, regulatory, supplementary duty and VAT has been reduced to zero from 25% on fire-resistant doors, sprinkler systems and equipment, emergency lights with exit signs and double heads imported by BTMA member mills.
- Income tax deduction at source has been reduced and rationalised and has been fixed at 3% in place of various rates on the supply made through local LC.
- Primary textile mills located outside specific dis-



Comparison of Infrastructure quality 2014-15						
Country Region	Country Ranking	Overall Infrastructure Score	Electricity	Roads	Railroads	Ports
Bangladesh	109	2.8	2.5	2.9	2.4	3.7
India	71	3.7	3.4	3.8	4.2	4.6
China	28	4.4	5.2	4.6	4.8	4.6
Cambodia	95	3.4	3	3.4	1.6	3.6
Myanmar	134	2.3	2.8	2.4	1.8	2.6
Pakistan	129	3.3	2.1	3.8	2.5	4.4
Sri Lanka	73	5	4.8	5.1	3.7	4.2
Thailand	31	4.1	5.1	4.5	2.4	4.5

districts and city corporation areas have been given tax holiday benefits.

- Income tax deduction at source has been reduced to 3% from 5% on *Alternative Cash Assistance* given for exports.

### Infrastructural

Infrastructural insufficiencies were always considered a hurdle towards proper flourishing of the industry. As can be seen below, the Bangladeshi infrastructure has huge scope for development and renovation. Some recent steps could be beneficial in easing this.

**Pangaon port:** The recently opened Pangaon port is to utilise the inland waterways of Bangladesh. With a capacity to handle 10% of the containers from Chittagong, this inland port, once opened, will reduce both the Chittagong-Dhaka shipment time and cost. Moreover, the waterways are more likely to avoid any political instability or hazards.

**Chittagong Port Development:** The main port of Chittagong is undergoing development to accommodate the increase in bulk imports and exports. Current and future projects include procurement of tug boats and cargo handling equipment,

replacement of river moorings, repair and renovation, and so on. As can be seen the number of containers handed and the amount of ships served have been increasing over the years.

**Sonadia Deep Sea Port:** One of the hurdles to overcome is the current restrictions related to Chittagong Port. Owing to less depth of 9 m, only vessels up to 1,100 TEU can be handled. However, the newly proposed Sonadia Deep Sea Port will have a depth of 13 m and will be able to service vessels up to 4,000 TEU. This will allow mother vessels to enter the port and reduce the time lost due to transshipment.

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Chittagong Port Statistics				
	2001	2005	2009	2013
Cargo handled (MT)	20,692,062	29,568,425	38,169,124	35,262,779
No of containers	486,289	783,353	1,161,470	1,541,517
Called Vessel	1,622	1,982	2,309	2,339
Sailed Vessel	1,631	1,892	2,167	2,156
Turnaround Time (Days)	5.91	4.55	5.25	5.94

(source: Chittagong Port Authority)

Sector Specific Demand (bn. Cft) for gas			
Sector	12-13	13-14	14-15 (proj)
Power	351	379	416
Captive power	189	217	239
Fertilizer	94	94	94
Industry	214	247	271
Household	125	140	154
CNG	57	113	124
Others	33	34	37
Total	1,062	1,222	1,335

**New gas fields:** Chevron recently declared extraction from new gas fields in Sylhet. Moreover, other plans remain for potential new gas fields, both onshore and offshore. This could result to easier and cheaper power for the industry.

A larger amount of gas production is also beneficial due to the fact that it is currently the cheapest form of energy available to the captive power stations used by the textiles and RMG sectors. Around 70% of the power requirement is fulfilled by captive

Target of power generation as per power system master plan 2010	
Year	Generation (MW)
2015	13300
2020	22500
2025	30000
2030	39000

Demand of power	
Year	Demand (MW)
2015	10000
2021	19000
2030	34000

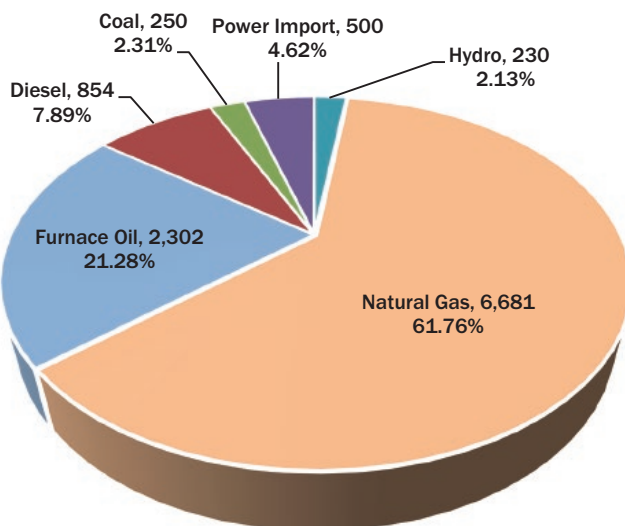
(Source: Bangladesh Economic Survey-2014)

Source	Spinning (Fiber to Yarn)		Weaving (Yarn to Fabric)		Denim Production	
	Unit cost of Power/BDT	Added Unit cost of Prod/BDT	Unit cost of Power/BDT	Added Unit cost of Prod/BDT	Unit cost of Power/BDT	Added Unit cost of Prod/BDT
Gas	3	5.6	3	6.5	1.25	2.5
Furnace	9	20.38	9	21	9	10.8
Diesel	17	40.71	17	41	17	20.6
Coal	5.2	10.7	5.2	11.5		

Finished product power & Production Cost (Source: BTMA)

### Installed Capacity as on January 2015 (by Fuel Type)

**Total Installed Capacity: 10,817 MW**



power. 60% is produced from gas and the rest has to be managed from alternative sources.

**Power generation:** Bangladesh currently produces around 10,000MW of electricity, and plans to expand this to 19,000MW by 2021 and to 34,000MW by 2030. This promises a better future for the RMG and textile industry, for which power problems are among the major hindrances to overcome.

### Conclusion

Despite various hurdles, the country and people remain strong of spirit and progress has been resumed. Despite incidents such as Tazreen and Rana Plaza, political instability, power problems and so on, various reforms have come

into play to try to set the textile and RMG sectors back in track. Many reforms that are proving beneficial are already under way and hopefully more will follow to continue the progress. Times are changing, and so are business practices. The Bangladesh textiles & RMG industries are now much more mature. The industry not only remains still a low labour cost

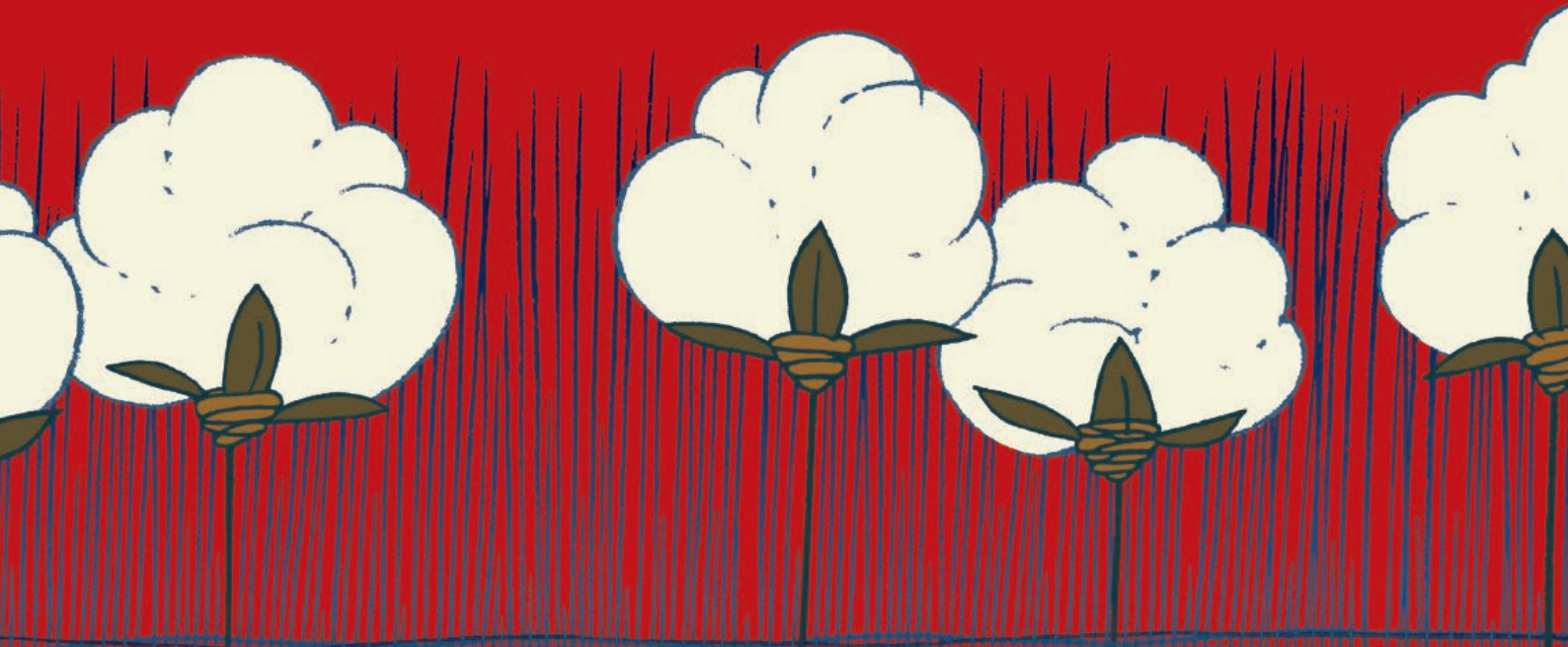
leader, but it has also moved significantly toward responsible sourcing and manufacturing practices. Awareness is on the rise and the lack of compliance is gradually diminishing. The recent incidents alerted global players to the requirement for responsible procurement. Stringent compliance standards are rolling in and, having braced

itself for change, the Bangladesh industry has responded brilliantly. Government support has always been, and will continue to be, a significant factor in the development of an export-oriented industry of an emerging economy. So far, the Bangladesh government has been very supportive in providing incentives and supporting the textiles and RMG industry. This will need to continue if the 'Vision 2021' and other ambitious goals are to be met.

Easier access to low cost funds is necessary. While benefits like EDF exist, awareness towards them should be enhanced and the reach of such programmes should be extended. Otherwise, the newer stringent compliance measure may prove hard to meet. Customs procedures should be streamlined and made more efficient. One of the major bottlenecks has been infrastructural inadequacy. Current reform plans include widening of the Dhaka-Chittagong highway to four lanes, enhancing the activities of Chittagong seaport, construction of a deep seaport at Sonadia and development of an inland water route terminal at Pangao. These plans need to be taken forward urgently, and the power issues need to be addressed, in order for the industry to survive and excel.



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# Bangladesh - a Rapidly Changing Market

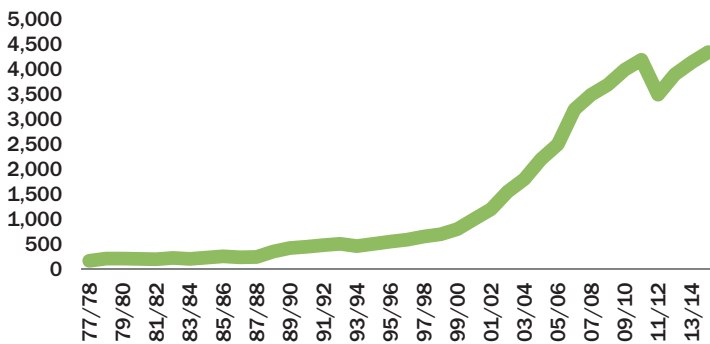


By Danny Van Namen, Vice-President,  
Paul Reinhart AG  
Head South Asia Desk

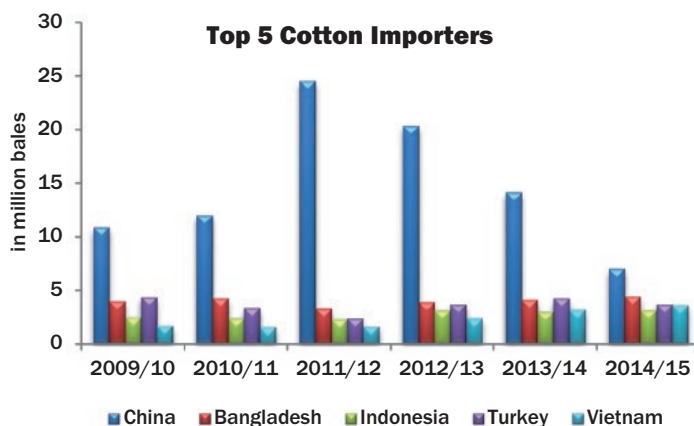
When I came 25 years ago for the first time to Bangladesh I didn't imagine at that time that this market was going to be one of the most important players in the cotton industry in 2015. The Bangladeshi yearly consumption in 1990 was around 400,000 bales. Today, 25 years later, there are 430 spinning mills with a total of 10.6 million spindles and a consumption which has increased to an incredible level of 4.3 million bales.

The following chart illustrates this phenomenal growth:

**Bangladesh consumption in Million bales  
USDA**



Bangladesh is now the second largest cotton importer in the world, and if actual trends continue it is even possible that in future it may become number one, as seen in the next illustration:



Change in the market has not been limited to growing volume. Also the origins of imported cotton and the overall way of doing business have evolved.

Back in 1990, mills were buying mostly Tanzanian, Greek, Turkish and some CIS cotton. In the late 90's Bangladesh became the main Uzbek consumer in the world. The industry was concentrating on the knitting sector and Uzbek cotton was giving the necessary parameters to produce the best product. The Uzbek participation reached at a certain moment a share of more than 60 percent of all the imports into Bangladesh. Since 2010 we see a slight change in this pattern. The share of Turkmenistan cotton has more than doubled from 4% to about 10% of imports, mainly due to the increasing logistical difficulties involved with shipping from Uzbekistan, as well as its price advantage.

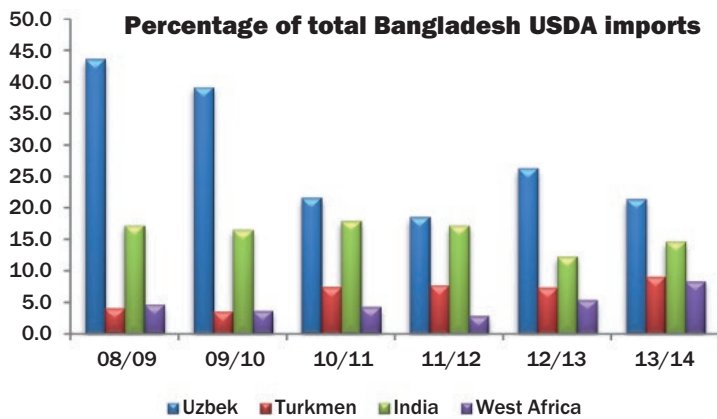
West African imports have increased in a similar way. Beyond the price factor there is also the increasing demand for BCI cotton. BCI has been highly successful establishing a standard for sustainably produced cotton on a commercially viable basis. It avoids the high cost for segregation of the cotton from the ginning level down the supply chain, whilst still giving the retailers the confidence that the cotton has been grown in a responsible and sustainable way. Big retailers such as IKEA, NIKE and Adidas - to name just a few - are increasingly demanding yarns and textiles produced with BCI cotton. Reinhart strongly believes in this project. Our West and East African ginning companies are all producing cotton according to CmiA and/or BCI standards.

Another growing origin is India which captures also an important market share. This is mainly due to increased production and a resultant higher exportable surplus, the geographical advantage and shorter transit times. The characteristics of Indian cotton have improved since the 90's, making it more suitable for the Bangladesh market's requirements. Obviously, the import of Indian cotton into Bangladesh is very dependent on Indian policies, as we experience this year, and on the relationship between production and consumption within India.

The chart on page 23 shows the relative development of those main origins during the last 5 years:

Another change we see happening right now is that more and more mills want to reduce the blocking of their working capital. They are requesting





shipments with shorter transit times or shipments from transshipment ports. Unfortunately, given the current financial situation of shipping lines, I do not see shorter transit times despite the current lower oil prices. Selling from transshipment ports obviously entails some risks and additional costs for the shipper. The import rules and the banking system have to become more flexible and efficient in order to use this in an optimal way.

One possible solution would be bonded warehouses in Bangladesh. This would allow companies to import and store cotton in Bangladesh. Mills would be able to take cotton as per their immediate needs, without blocking the working capital. It would also reduce the risk for the mill in case of price volatility and avoid quality differentials as cotton could be checked before the purchase. I believe that creating a possibility for consignments would help increase cotton consumption in the Bangladesh market as the financial risk is getting smaller for the spinning mills. Once bonded warehousing is approved by the government, Reinhart will certainly use this facility and opportunity to serve the Bangladesh spinning mills, as we are currently doing in China.

I mentioned already that quality is an important factor for sophisticated markets. Bangladesh has developed to this mature status during the last few years. Mills have very advanced spinning and weaving machinery with the most modern technology. So, with good reason, mills expect also the best product to utilize in their machines. The emphasis is for the best value for money. Spinning flexibility and optimizing spinning can save mills tremendously in terms of quality, origin selection and consequently in price. The mills who understood this best have been the most successful.

An important factor is the quality control in the mill, which needs to be monitored closely by the mills' key people. Mills usually perform HVI tests before putting the bales into the opening room. We have to keep in mind that in order to produce representative HVI tests, samples have to be drawn in a correct manner, and have to be conditioned, HVI lines have to be situated in conditioned rooms and the operators have to be skilled. Even with perfect HVI testing, spinning engineers and technicians must remain intimately familiar with the physical cotton. I would encourage all the mills with HVI lines to participate in the ICA Bremen Cotton Round test, which is carried out in cooperation with the Bremer Baumwollboerse and the Bremen Fibre Institute. The ICA Bremen Cotton Round Test does not include any benchmarking or rating of the laboratories and their results. Rather, the results can be used by each laboratory to evaluate

its own performance. It is a way to synchronize your HVI line with others in the world.

The high tech evolution in the spinning sector is advancing much faster than at producer level. The gap between the product of nature and the requirement of the machines is becoming wider and will continue to create problems. That is the reason why mill people and buying managers at all levels need a thorough understanding of the product "cotton". From our side, as merchants we are well aware of our duty to provide our clients with appropriate information and guidance and of course to deliver reliably the qualities we have sold.

An important and very positive change that we have witnessed during the last few years has been the market becoming more mature and more reliable. The settling of problems which happened during the extreme volatility of 2008/09 and 2010/11 is encouraging and is being followed closely by the merchant community. For too long a time, even the top mills in Bangladesh have been undeservedly suffering under the many unsolved problems. The Bangladesh Cotton Association and the Bangladesh Textile Mills Association can play an important role in this industry to preserve sanctity of contracts.

It's not only the spinning mills who are changing. The role of the agents is also developing and becoming more challenging. Apart from having good, cotton specific knowledge they have to know the spinning process, they need a good understanding of the ICA rules and of the functioning of the market. The agent is the bridge in the partnership between seller and buyer. Investing by sellers and buyers in knowledge and in this new role for agents will be beneficial for the industry.

Finally of course some necessary elements for the further development of the Bangladeshi cotton industry depend on outside factors. Political stability, energy, transportation and port infrastructure are all important, as well as an efficient banking system. We are confident that the people of Bangladesh will be able to overcome those challenges and continue building a successful and prosperous nation.





# Bangladesh Today : an Agent's View



By Michael Fairbrother,  
Managing Director of Sincot Pte Ltd

Despite often being labelled an underdog with insurmountable problems and a Least Developed Nation status, the GDP growth rate of Bangladesh has remained impressively between 3.3 to 6.7% every year since 1990. It is now the 2<sup>nd</sup> largest garment exporter in the world.

Economically its main advantages include a cheap cost of labour, a vibrant entrepreneurial spirit and an improving textile manufacturing expertise.

However, Bangladesh is a country saddled with many impediments, which continue to slow down its growth and development. These include the short-term mindset of traditional Indian business culture and political instability which hampers economic activity. The work strikes/trans-

port blockades, a shortage of power supply, poor road logistics, expensive lending and an inconsistent banking sector all contribute towards keeping the business climate both volatile and unpredictable.

Today there are still 'active' more than 300 separate spinning factories plus about 50 Bangladesh traders buying raw cotton. About 73 of these remain on the ICA's list of unfulfilled awards. However, as those 73 still source their cotton via their sister companies or via other buyers, the international cotton trade only considers about 20 spinners to be safe trading partners. These are the mills which are gradually adding to their spindles, learning about the international cotton market and in my view will spin the majority of cotton in Bangladesh ten years from now.

Within Bangladesh's sourcing of raw cotton there have been recently some healthy changes. Gradually we are witnessing a shift to machine-picked (low contamination) growths and other specialist cottons like BCI in response to international retail demand. Instead of being reliant on 65% Uzbekistan top grade cottons, spinners have been experimenting and currently use about 37% Indian, 12% Turkmenistan, 15% African and less than 24% Uzbekistan growths. Traditionally, Bangladesh spinners have purchased a Good Middling (11) grade of cotton to help produce their export quality yarn suitable for knit garments, but some mills are learning gradually to manage with Middling to SM grade, as the staple length and strength are more critical parameters.

Also encouraging in recent years is the increased foreign investment in the textile sector, mainly from other Asian countries. New efforts are now in progress from local cotton handlers to encourage the government to set up and allow a bonded warehousing structure for cotton in Chittagong, similar to the model used in Chinese ports. If achieved, this would be of mutual benefit to both merchants and spinners over the longer term.

Whilst some progress has been achieved in bringing international merchants closer to the spinners, various things need to happen soon if the latter are to be able compete 'one on one' in the longer term with their overseas competitors. Above all, a better knowledge and respect is required for the International Cotton Association's (ICA's) rules, and the 'know how' to apply them for their own protection.

We are starting to see a positive move to improve constructive communications and cooperation between the BTMA & BCA via the ICA for the international cot-

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**GINNERS, EXPORTERS & IMPORTERS OF RAW COTTON**

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ton community. This is long overdue and essential. Much suspicion still exists about the perception of international cotton associations being trader dominated and rules being biased. Believe it or not, most Bangladesh spinners would rather avoid calling upon the ICA's invoicing back system under the false impression that the system will always favour the supplier. So, going forward, there needs in my view to be a regular meeting of minds, balanced explanations of how the rules can be employed to protect the rights of the spinner and the appointment of more international spinners as directors of the ICA.

Notwithstanding the current political handicap the (in power) Awami League government has been constructively investing in infrastructure improvement and more power generation. In December 2013, they implemented a 77% hike in the minimum wage for entry-level workers. With depleting natural gas reserves, new gas fields need to be discovered or a shift to coal or nuclear power will be necessary. They are also supporting the development of a new sea port at Sonadia to be completed by 2024. The RMG sector has performed well, despite the recent global economic downturns and industrial accidents at Rana Plaza and Tazreen Fashions. This government crucially supported the involvement of the international monitoring organizations in an effort to make all Bangladesh textiles mills safer places in which to work.

Going forward, the government of Bangladesh also needs to help address issues in the banking sector. A more consistent and efficient banking structure is required. Most importantly, banks must act neutrally and release funds automatically on time upon L/C acceptance or maturity dates and should not be permitted to await the buyers' consent!

In view of the uncertain environment in Bangladesh, most buyers tend to consider their buying needs on a 30-day cycle for nearby delivery only. However, gradually some 'smarter buyers' are developing more flexibility. A willingness to follow the dynamics of the international cotton market is proving helpful as they face more demands for yarn consistency. In my view, spinners would be wise to select just three or four 'A1' major suppliers, be willing to pay a fuller price, ignore the unknown shippers and contract 'on call' over a longer period of time so as to protect themselves and improve the consistency of their end product.

It is also fundamentally important for spinners to read and understand the difference between their A1 and B rated suppliers' 'contracts' so as to avoid later surprises and losing the supply in case their L/C is late and/or the market rises.

There are over 100 companies in Bangladesh acting as "agents". Traditionally they have very little knowledge and concentrate on making sales volume and serving the spinners' demands. If Bangladesh is to develop into a more open, healthy and mature market place, the future will require agents who can act impartially, provide useful information and problem-solving techniques to both parties to a contract. Thankfully, the cotton business remains based on longstanding relationships. Trust built up over decades provides real confidence for mutually beneficial and repeat business. Within this realm, 'reputations' are all-important and worth preserving at all costs. In the meantime, those mills which have already or are still paying off their debts regularly from the aftermath of the 2011 price crash will undoubtedly be given preferential

treatment in the future by the international trade. Unfortunately, there are still some multi-million dollar debts owed to international merchants by about 30 Bangladesh spinners. Most of these awards are now established under English law and are available for enforcement anywhere. Mills who still carry such unresolved debts may be burdened for years by restricted access to competitive cotton prices as well as to the reliable suppliers that they will need in future, particularly when the market goes back up.

Many spinners have purchased HVI testing equipment in the last decade but many of these machines are being employed or maintained incorrectly, which is wasting time and confusing the concerned parties. From dirty and dusty warehouses and opening rooms such HVI data is not worth the paper it is printed on. All bales are not kept or handled 'in clean places' and samples are sometimes not drawn properly. They should of course be capturing only cotton that is inside of the bales (ie without the dust).

At this point, Sincot expects Bangladesh to consume around 4 million bales (of 480lbs) in 2015. As mentioned above, there is still good reason to believe that cotton consumption will continue to grow in Bangladesh over the next decade but such optimism comes with a big "IF". The crippling effect of the local political games needs to be eradicated to create the economic stability in which the Bangladesh textile industry can continue to prosper. A political system in which the party in opposition is free to call a nationwide strike anytime, and as often as they like, makes no sense and needs to be changed so that Bangladesh's business economy can continue to thrive despite the politics of the day. During the last 18 months of politically motivated, national strikes, a considerable amount of garment sourcing has been shifted from Bangladesh to other Asian countries, in particular Vietnam.

Textile businesses in Bangladesh are emerging out of the Third World and therefore it is of paramount importance that they trust and rely on the rules of the International Cotton Association, such rules which have been carefully crafted over a period of more than a century to protect the interests of both seller and the buyer.

At the time of writing this article, with national strikes and road blockages Bangladesh seems to be at a dangerous impasse, but if the business economy were left to flourish unburdened by the political disturbances there would be a much brighter future for the people of Bangladesh.

If the positive developments and such ideas are widely adopted then people around the world will soon be more confident with the words "Made in Bangladesh" and the textile sector will be able to create their own world-wide and famous "Brands".







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