

COTTON SUPPLY CHAIN

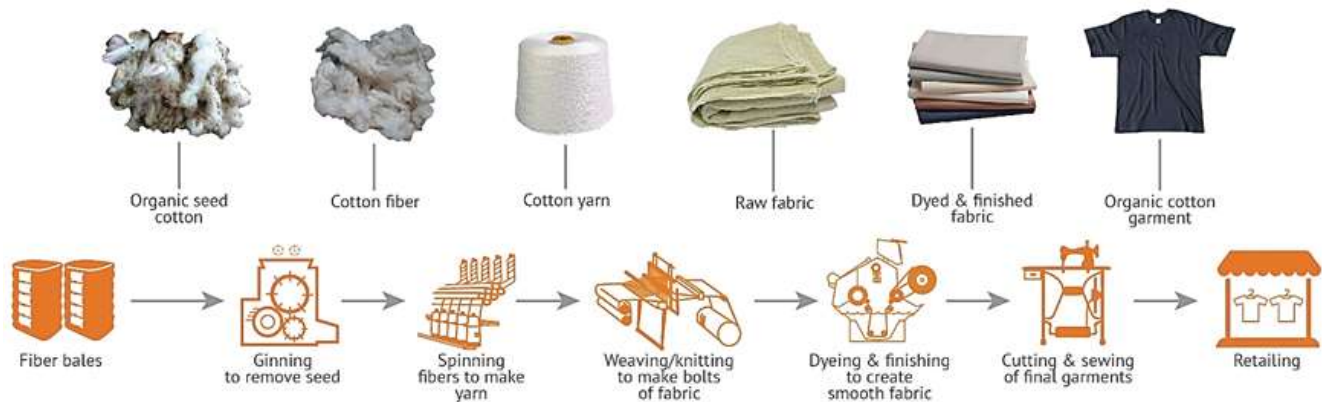
THE BACKWARD LINKAGE OF APPAREL SUPPLY CHAIN



The readymade garment (RMG) sector is a success story for Bangladesh. The industry started in the late 1970s, expanded heavily in the 1980s and boomed in the 1990s. Bangladesh currently has 424 spinning mills, 794 textile weaving mills, 241 dyeing and finishing mills, and a total of over 6,500 registered and over 500 un-registered garment and textile factories.

Since China is moving toward high-tech industries and away from RMG, international buyers are seeking other suppliers, which offer opportunities for Bangladesh to increase apparel exports. Although favorable labor costs provide competitive strength to Bangladesh, problems remain with inadequate infrastructure and sporadic utility supply. In fact, Bangladesh has identified 11 emerging countries as new potential markets for one billion USD worth of garments. Exports to non-traditional or developing markets are reportedly part of a larger strategy to reach an export target of \$50 billion by 2021.

Spinning sub-sector remains crucial to RMG value chain helping to stabilize supply chain, while controlling costs. The products of the spinning sub-sector are cotton yarn, polyester, synthetic yarn, woolen yarn and blended yarn mixed of cotton and polyester of different counts (mostly up to 80 count). Yarns are being used by the weaving sub-sectors like specialized textiles, handlooms and knitting and hosiery. Although Bangladesh has production capabilities in manufacture of thread and fabric, the country has manage all raw materials, primarily cotton and other man-made fiber e.g. polyester, Viscose and Staple Fiber.



COTTON SUPPLY CHAIN

As the garment export volume is increasing, by the end of 2020 cotton consumption in Bangladesh will hit 7.9 million bales. Bangladesh is almost entirely dependent on raw cotton imports. Bangladesh's cotton import will creep up to 7.1 million bales in 2017-18, further consolidating its position as the world's largest importer of the fiber. Bangladesh has overtaken China after the latter stopped sourcing for having ample stocks of its own. Local agriculturist can only supply less than 2% of yearly demand, leading to the imports worth over \$3 billion. The other 98% is imported from different countries like Uzbekistan, India, Australia, USA etc.

Import & Production of Cotton in Bangladesh			
Year	Import in Bales	Production in Bales	Import Vs Production
2008	3,800,000	42,000	1.11%
2009	4,000,000	50,000	1.25%
2010	4,250,000	64,000	1.51%
2011	3,400,000	86,000	2.53%
2012	5,000,000	108,000	2.16%
2013	5,300,000	115,000	2.17%
2014	5,750,000	120,000	2.09%
2015	6,200,000	119,000	1.92%
2016	6,250,000	125,000	2.00%
2017	7,100,000	125,000	1.76%

Source: www.textiletoday.com.bd

Currently, Bangladesh has been facing enormous challenges in sourcing cotton to feed its textile industry over the few years. Considering the geographical position, India has been serving as one of the most important sources of cotton fiber for Bangladeshi textiles. Bangladesh imports 55 percent of its demand for cotton from India,

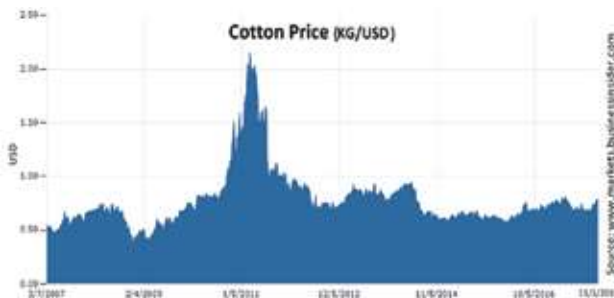
thanks to favorable prices, geographical proximity, shorter lead time and the quality of the fiber. But last couple of years it has been proved as unreliable and undependable source due to series of ban on cotton exports by the Indian government in 2010 and 2011. This phenomenon has become a challenge to sustainability of local textile industries and need to develop alternative destinations as it is not right to depend too much on one country.

The country's dependency on imported cotton poses sourcing risks; therefore, Bangladesh must work closely with those countries that pose little or no risk to its reliable supply. But another problem is Bangladesh government's policy was not to cultivate cotton on land where crop is grown. Sustainability of textile sector can be secured by increasing domestic supply of cotton. Current local cotton production is very limited compared to national demand, which can't play important role for sustainability of textile sector.

The demand for the natural fiber is on the rise in Bangladesh as it is the only country that is still mainly dependent on raw cotton for making yarns and fabrics. The other countries have shifted to other manmade fibers like filament, polyesters and viscose, as a result of which the global consumption of cotton is on the decline in recent years. Currently, the ratio of cotton and manmade fiber use is 28:72 worldwide, with a pronounced tilt towards artificial fibers, due to its lower price, improved functionality and ease of use, according to International Textile Manufacturers Federation. However, the ratio is not applicable in Bangladesh yet as more than 90 percent of the yarns and fabrics are made from natural cotton in the country.

It is estimated that a reasonable portion (25-30%) of the demand of cotton fiber can be met domestically by the intervention of policy guidelines and introduction of modern technologies. The supply chain of locally produced cotton starts from the farm and passing through middleman (faria), ginner and processors, CDB processing units to the spinning mills and by-product industries. About 15 registered ginneries working mostly in Southwestern region of the country and play a vital role in domestic cotton supply chain. A few numbers of cotton by-product industries like-oil extraction plant, seed crusher, soap factory also play important role in cotton supply chain in Bangladesh.

The country spends substantial foreign exchange every year to import raw materials and accessories to feed the RMG sector. Since cotton is the key imported raw material, international price volatility has a direct impact on the spinning sub-sector.



Bangladesh has become a lucrative market for global cotton suppliers as its cotton consumption continues to rise on the strong performance of RMG sector. Bangladesh is one of the largest cotton importers in the world, as the country produces only 3% of the total requirement of cotton for making yarns and fabrics for clothes. Cotton is playing main strength of the export-oriented RMG sector as they play an important role as a backward linkage industry for exports. Yet, this has been possible only due to supply of yarn and fabrics within the time from outside the country.

The over 430 local spinning mills can supply nearly 90 percent of the yarn for the knitwear sector and 40 percent of the fabrics needed by the woven sector to meet export demand of RMG. Makers of woven garments can add value ranging from 35 to 40 percent; value added in knitwear is even higher, but exports of woven garments earn a higher amount of foreign currency. Bangladesh has no import duties for polyester, viscose, acrylic, synthetic,

and modacrylic staple fibers. The duty for textile chemical dyes is 5 percent. Export-oriented RMG factories can import yarn and fabric under a duty-free incentive, which reimburses all customs duties paid on imported yarn and fabric (but not taxes such as the VAT and Advanced Income tax). Imports of all textile raw materials, including fabrics, have no quotas.

IMPACT IN RMG SUPPLY CHAIN

Spinning sub-sector is largely dependent on the overall success of the RMG sector. With raw materials largely imported, spinners have to rely on the price stability of cotton and other imported raw materials. BGMEA set up a target to achieve USD 50bn in RMG exports by 2021. Usually Bangladesh's cotton consumption is expected to almost double by 2021.

Top Ten Cotton Importer of the World			
Rank	Importer	Import in 2016	Contribution
1	China	\$ 7.7 billion	17.00%
2	Bangladesh	\$ 4.7 billion	10.30%
3	Vietnam	\$ 3.7 billion	8.00%
4	Turkey	\$ 2.3 billion	5.00%
5	Indonesia	\$ 2.1 billion	4.60%
6	Hong Kong	\$ 1.7 billion	3.80%
7	Italy	\$ 1.2 billion	2.70%
8	South Korea	\$ 1.2 billion	2.60%
9	Pakistan	\$ 1.1 billion	2.50%
10	India	\$ 1.1 billion	2.30%

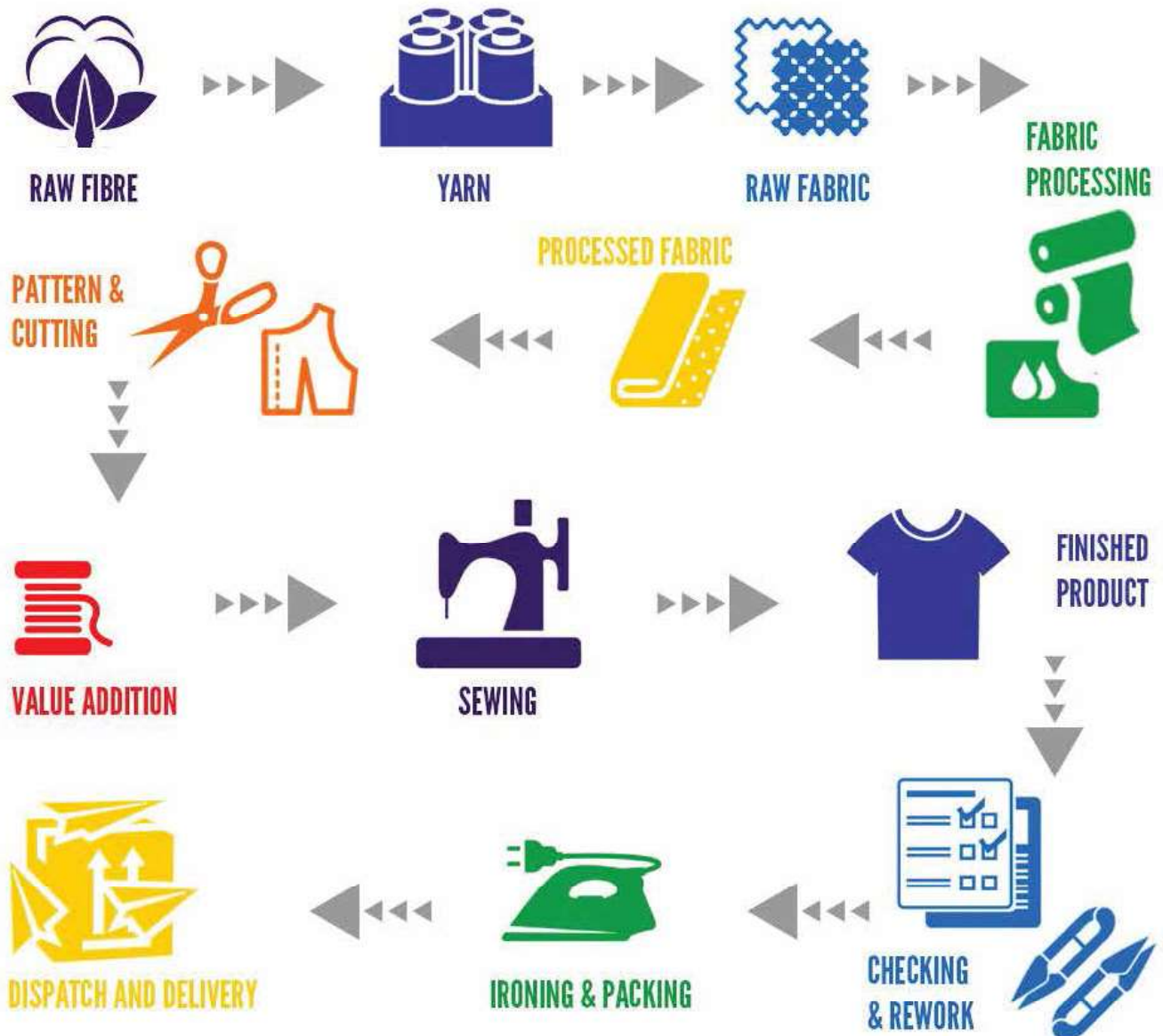
Source: www.worldstopexports.com

Absolutely Bangladesh needs an undisrupted and stable supply chain of cotton to keep the production with efficiency for RMG sector. For smooth cotton supply Bangladesh should be the core member of International Cotton Association (ICA) as it will help get latest information of the cotton across the globe. This organization plays a vital role in the world's cotton supply chain by giving protection to the producers, traders and consumers. And recently a prominent industrialist of Bangladesh, Mirza Salman Ispahani who is Chairman of MM Ispahani Limited has been elected the President of ICA for the term 2017-18.

According to Australian Trade and Investment Commission that Bangladesh will overtake China as the world's largest importer of cotton within next four years. In addition that

China's share of world imports falls from 41pc in the base period to 23pc in 2022; Bangladesh and Vietnam are expected to nearly reach double their share, surpassing China in total. On the other hand, China imports are expected to drop 50pc during the upcoming season as it winds down a strategic stockpiling program. Currently, China has 60 million bales of cotton in its stock, which is nearly half the global demand. China uses 30 million bales of cotton a year, making it the biggest consumer of the natural fiber in the world.

Australia is the world's fourth largest exporter, which has earned a reputation as a reliable supplier of high-quality cotton which has almost zero contamination. On the other hand, the largest cotton supplier, India, has been importing cotton from other countries. So, besides India our spinners can make sure the relation with CIS (Commonwealth of Independent States) and West Africa.



Apparel firms in the county have moved into a challenging position in the new millennium. The challenge is now to offer high-quality, low-cost products within a short lead time; and to meet health, social and environmental compliances in the face of increasingly stiff competition. RMG & textile as well as other energy-intensive industries struggle to control production costs as expenditures for gas and electricity rise, which is in part driven by increased tariffs. It is predicted that if possible to produce 1 million bales of cotton in 200,000 hectares (approximately) of land that this can save 10 percent to 15 percent import costs according to the industry insider. Only than possible to changing whole economic growth of the country by the RMG export.

configuration to hold superior serviceability. Supply chain management is the hidden lever that can magically lift the total business performance of any company. We are just at the beginning of a much bigger journey. So we should focus on the development of supply chain managers as they can ensure the best value addition in all businesses and take us to the next level.

To face these challenges, the apparel & textile makers should focus on effective supply chain management as it will ensure delivering the right product to the right place at the right time at the right price. But the textile industry is lacking the correct supply chain management know-how as

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SUGGESTIONS

Our land is highly competitive and cotton is a long duration crop, it requires 6 months to grow from sowing to picking. Within this time our farmers can grow two crops from the same land through he can earn more income from the same land. At least government can promote cotton production like coastal areas where no other crops can be produced due to saline intrusion. Importers want to promote cotton production in the areas where tobacco is being cultivated. At this time Government should be taken up a project for research and expansion of cotton production at Barind areas of Rajshahi, Narayangong and Chapai-Nawabganj, where other crops cannot be produced, for cotton cultivation. Also can targeting hilly areas as we have inside the country.

The tremendous pressures of globalization and demanding customers require the RMG businesses to improve their quality, responsiveness and customer satisfaction, while making conscientious efforts to cut costs. However, the spinning sector can add value by providing significant cost advantages to RMG sector through efficiency, provided proper infrastructural support is there. So, the apparel & textile makers need to focus on appropriate supply chain

the country has an acute shortage of people who understand the complex nature of supply chain management. Bangladesh needs plenty of supply chain resources to benchmark itself against the best in the world like Toyota and Wal-Mart.

Buyers in the future would also look at the implications in sourcing materials and even services from half-way across the world. So, we should consider the whole textile & apparel supply chain as one, adopt a fact based approach upon thoroughly understanding current realities, invest in the appropriate skills and constantly monitor and adjust to optimize results in an ever-changing world.

Alignment of all processes with the supply chain is critical. If we do not align it with every single process, we will end up with supply delays, quality issues and delivery of wrong products. The government, the textiles units, the RMG units and all other supporting partners of the apparel supply chain need to come together to become a part of one chain, define a common competitive strategy and align its supply chain capability accordingly.

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