



Yarn makers face a double blow

REFAYET ULLAH MIRDHA

STOCKPILING of yarn is on the rise in warehouses, as the country's spinning sub-sector is passing through a rough patch due to a significant drop in sales of the product in local markets.

The spinners cannot sell yarn at lower prices as those are produced from high-cost, imported cotton while the knitters, on the other hand, now want to import low-cost Indian and Chinese yarn.

For this, the sub-sector is facing a double blow.

Moreover, garment makers now want to manufacture their items from imported fabrics rather than from local ones, as they get a duty-waiver facility under the generalised system of preference in EU even from imported fabrics.

All those problems compounded the country's primary textile sector. Bangladeshi spinners make yarns from the cotton imported at \$2.20-\$2.25 a pound. The price of yarn is now \$3.50 a kilogram, down from \$7 a kg in March.

The present price of cotton ranges between 98 cents and \$1.3 per pound on the international market.

Last year cotton prices soared abnormally for speculative buying, a crop damage due to devastating floods in Pakistan -- a major grower of the product -- and a ban on export of cotton by India, the second largest cotton grower in the world.

Every spinner is incurring losses for yarn price fall following the price fall of cotton worldwide, said KM Rezaul Hasanat, chairman and managing director of Viyellatex Group.

Spinners now sell the yarn at the prices that are low comparing to the cotton's import prices, he added.

"Such losses from the sales of yarn may continue for the next three months until the stock of the high-



AMRAN HOSSAIN

A woman works at a textile mill in Gazipur. The country's spinners are now incurring losses because of a yarn price fall.

priced imported cotton is finished."

The problem compounded further when the Indian government announced a duty-drawback subsidy on export of cotton and yarn recently, he said.

A Matin Chowdhury, managing

director of Malek Spinning Mills, said last year a panic buying took place both for cotton and yarn.

When the prices of cotton were going higher, a US delegation asked local spinners to buy the product as much as possible as the stock of the item was finishing up quickly.

"Hearing such alarm from the US delegation we booked a lot of cotton at an average price \$2.20 per pound, but later the price started declining from February-March period of this year," Chowdhury said.

The US team said to spinners that the production of cotton will be lower for droughts and floods, he said. Similarly, yarn buyers had also bought the item at higher costs that time, he added.

Banks are showing their reluctance in financing cotton import as the spinners are facing troubles in paying their old debts, he added. "The pressure on balance of payment will decrease to a bit, if the government imposes a ban on yarn import for six months."

Anwar-ul-Alam Chowdhury Parvez, managing director of Evince Group, said the sales have dropped as the consumption of garment items declined worldwide for financial recession and last year's global cotton price hike.

The sale of yarn will increase from

October onwards when order placements by the international buyers are also expected to increase.

Generally, July, August and September are dull months for the garment industry as the western world choose and select fashions and designs during the period. "The decline in cotton price will help increase export of garment items from Bangladesh," Parvez hoped.

"The spinning sector is now in a total mess as both the price and sales of yarn declined significantly for worldwide cotton price fall," said Jahangir Alamin, president of Bangladesh Textile Mills Association.

Last week, the Indian government announced 7.67 percent subsidy -- duty exemption passbook -- on export of yarn and 4 percent subsidy for cotton to boost the export of the two basic items.

The subsidy will be applicable to cotton and yarn exporters from April of this year, he said adding that such a move by the Indian government will only add pain to the local spinning sub-sector.

"Now, we offer 30-count yarn -- the most widely consumed yarn -- at \$3.70-\$3.80 a kg, but the weavers and knitters can import the same yarn at \$3.30-\$3.50 a kg now."

"The stockpiling of yarn increased

to three lakh tonnes in different spinning mills as the demand for the item declined significantly," he added.

Alamin said the millers have already halved the production of the item for lower demand in the local market.

At the same time the import of fabrics also increased significantly as garment exporters now enjoy a duty-free benefit even from imported fabrics for the relaxation of the Rules of Origin by Eurozone from January 1 this year.

"However, we have a meeting with the commerce minister this week where we will discuss the necessary steps to save the sector," Alamin said.

He said the government did not take any measure except increasing the duty to 45 percent on import of fabrics to discourage such import in the national budget for the current fiscal year.

When asked Mozibur Rahman, chairman of Bangladesh Tariff Commission, said he has already suggested the spinners submit applications to him with requests to inspect if the yarn is dumped in the country.

"However, we will look into the matter and see if the yarn is being sold at dumping prices or otherwise."

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Argentina summit to focus on cotton

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THE 70th plenary meeting of the standing committee of International Cotton Advisory Committee (ICAC) will take place in Buenos Aires, Argentina from September 4-10.

In the meeting, representatives from more than 40 countries and 10 international organisations will discuss the world cotton industry that experienced record prices, high volatility and great changes in the structure of the industry, ICAC said in a

statement in its website.

The representatives will also discuss the roles of the state and the private sector, including the associations, organisations and cooperatives of farmers, in technology change, and the development of the Argentine textile industry.

A technical seminar on "Technological innovations for sustainable development of the cotton value chain" will also take place in a session.

The committee will widely discuss the organic cotton production: the reality of costs and benefits and managing the impacts of volatile cotton prices, the

statement also added.

Topics like ensuring responsible labour standards in the cotton value chain, demand enhancement, measuring cotton supply and use in the 21st century, and the opportunities and benefits of producing branded cotton will also be discussed in the meeting.

Mohammad Ayub, president of Bangladesh Cotton Association, said no representative from Bangladesh will attend the meeting, as it is mainly a platform of the cotton growing countries. He said the committee discusses important issues on cotton every year in different countries.

"But, we receive the recommendations of the meeting which is held every year in the member countries," Ayub said. Generally, the meeting focuses on the organising country although it discusses the world cotton situation, he said.

The 69th plenary meeting of the body was held in Lubbock, Texas, USA during September 21-25, in 2010. After the meeting, the secretariat reported that the world cotton production is expected to rise by 16 percent in 2010-11, encouraged by the significant rise in cotton prices during the past year.

The Washington-based ICAC member countries are Argentina, Australia, Belgium, Brazil, Burkina Faso, Cameroon, Chad, China (Taiwan), Colombia, Côte d'Ivoire, Egypt, Finland, France, Germany, Greece, India, Iran, Israel, Italy, Kazakhstan, Kenya, Korea, Mali, Mozambique, Netherlands, Nigeria, Pakistan, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United States of America, Uzbekistan, Zambia and Zimbabwe.

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