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# Millers want mandatory 70% local cotton yarn use for RMG exports

## RMG makers oppose saying local local yarn is pricier



Local spinners produce export-standard carded and combed yarn. Photo: Mumit M

**The country's spinning millers have urged the government to make it a mandatory condition to procure 70% of their total cotton yarn from local sources under back-to-back letters of credit to ease the ongoing dollar crisis.**

On December 12, the Bangladesh Textile Mills Association (BTMA) made the demand in a letter to National Board of Revenue Chairman Abu Hena Md Rahmatul Muneem.

The BTMA said in the letter that if apparels are produced with local yarn, the value addition would be 65% while it would be 30% when produced with imported yarn.

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The apparel exporters, meanwhile, say the BTMA demand is unacceptable arguing that the local yarn is not price competitive.

But the spinning millers' association claimed that the price difference between the local and imported yarn is not more than 15-25 cent a kg as Bangladesh depends on imported cotton and other components for producing yarn.

The BTMA argued that the local spinners produce export-standard carded and combed yarn in huge quantities and they have capacity to meet 85% of the total demand of the export oriented apparel industry.

The spinning millers' association also urged the NBR to scrutinise the compatibility of the import price of yarn with other competitor countries before releasing the goods from ports.

The spinning millers proposed to install a yarn count testing machine at land ports and recruit more manpower with required training to protect revenue loss.

### **RMG makers oppose the demand**

Apparel makers say that although the price of local yarn is higher than the international market, RMG exporters procure the item from the local market in a large quantity.

Without imposing any compulsion, local spinners need to improve their quality and competitiveness to gain more market share, they say.

Bangladesh Garment Manufacturers and Exporters Association President Faruque Hassan told The Business Standard that in the open market economy, there is no scope to make it mandatory that the garment makers will have to buy 70% of yarn from local spinning mills.

"It is true the value addition of the readymade garment sector has increased as we are using local yarn but it is very difficult for the RMG makers to remain competitive through using local yarn due to their high prices," he said.

He claimed that in some cases local yarn and imported yarn price gaps are about 80 cents to one US dollar.

"The local spinners would have to be competitive to gain the market share," said Faruque Hassan.