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Vegetable exports quadruple amid stable local market

EXPORT - BANGLADESH

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Veggie exports through maritime routes totalled 58,766 tonnes in FY25

Bangladesh's vegetable exports have surged over threefold in the just concluded 2024-25 fiscal year, driven by a stable domestic market after years of volatility and price hikes that had discouraged exporters. Data from the Plant Quarantine Centre at Chattogram Seaport shows that vegetable exports through maritime routes totalled 58,766 tonnes in FY25, marking a 313% year-on-year growth.

Potatoes accounted for the bulk of exports, with 40,543 tonnes shipped, followed by 16,959 tonnes of fresh vegetables and 1,264 tonnes of frozen items.

In contrast, just 14,202 tonnes of vegetables were exported in FY24. Of that, 11,127 tonnes were potatoes, 1,669 tonnes | SEE PAGE 4 COL 3

were fresh produce, and 1,406 tonnes were frozen vegetables.

The previous year, FY23, saw 33,923 tonnes of exports, with potatoes again dominating at 29,560 tonnes. In FY22, the volume had reached 60,634 tonnes, led by 53,024 tonnes of potatoes.

The export rebound comes after years of disruption due to natural disasters, high domestic prices, and escalating freight costs. Exporters had gradually withdrawn from the market, unable to compete with the rising costs and domestic instability.

Officials said the current boost is due to improved price stability in the local market under the interim government, which intensified market monitoring and curbed volatility across essential commodities.

"The volume of potato exports has increased significantly this year," Mohammad Shah Alam, deputy director at the Plant Quarantine Centre, told The Business Standard.

"With the market normal this year, even land ports like Banglabandha saw the export of 20,000 tonnes of potatoes to Nepal – a destination India used to dominate," he said.

Alam added that the ministry had intervened to manage transportation costs, while test shipments of new items like taro and cabbage proved successful. "Cabbage exports rose sharply this year. Fresh vegetables, usually exported by air, are now also being successfully shipped via refrigerated sea containers."

According to officials, Bangladesh exports vegetables primarily to Malaysia, the UAE, Singapore, Sri Lanka, Saudi Arabia, and other Middle Eastern nations. Expatriate Bangladeshis and South Asian restaurants are the main buyers.

Among vegetables exported, potatoes lead the chart, followed by cabbage. Other notable exports include sweet pumpkin, green chilli, cauliflower, tomato, taro, beans, spine gourd, pointed gourd, and arum.

Fresh vegetables are often frozen and shipped to Europe and Africa using regular containers. Export-quality vegetables are sourced from across the country, including the Chittagong Hill Tracts, Jessore, Rajshahi, Chuadanga, Rangpur, Thakurgaon, Meherpur, and Narsingdi.

Mahbub Rana, president of the Chattogram Fresh Fruits, Vegetables and Products Exporters' Group, told TBS that local market instability in recent years had made exports unviable.

"The high price of potatoes and volatile vegetable prices deterred exporters. With those issues resolved, exports have picked up again," he added.

However, he noted that challenges remain. "We can't fully utilise our export potential due to limited air cargo space. Transporting vegetables to Europe or North America costs Tk650-700 per kg from Bangladesh, while India manages it for Tk300 or less."

He added, "Besides, subsidies are shrinking and expected to be phased out by 2026. If the government prioritises this sector, vegetable exports could grow several times over."

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Will higher taxes drive up RMG's yarn import reliance?

RMG – BANGLADESH

REYAD HOSSAIN

Bangladesh's vital spinning and textile mills are warning of a severe crisis as new fiscal measures in the FY26 budget threaten to erode their competitiveness and force garment exporters to increasingly rely on imported yarn and fabrics. Industry leaders fear these changes could weaken the country's largest export sector.

The budget introduces two significant changes, sparking alarm: a 2% Advance Income Tax (AIT) on cotton imports, the primary raw material for spinning, and a 67% hike in Value-Added Tax (VAT) on locally produced yarn, increasing it from Tk3 to Tk5 per kilogram.

A 'suicidal decision' for a struggling industry

The Bangladesh Textile Mills Association (BTMA) has vehemently opposed these measures. In a letter to the National Board of Revenue (NBR) chairman on 1 July, BTMA President Showkat Aziz Russell branded the new taxes a "suicidal decision."

"The government has done this without any consultation with the stakeholders," Russell wrote, adding that the sector is already reeling from high energy prices, reduced cash incentives, and limited access to low-cost funds under the Export Development Fund (EDF).

With a massive $23 billion invested in the textile sector, industry insiders fear that if sourcing shifts to foreign suppliers, many spinning and weaving mills will face severe viability issues.

"The new taxes will push mills toward a survival crisis," Russell warned. "We fear this could lead to a slow dismantling of the backbone that supports the country's largest export sector."

Local mills priced out as imports become cheaper

The direct consequence of these new taxes, according to industry experts, will be a significant increase in the cost of locally produced yarn, making imports more attractive for garment manufacturers.

Fakir Kamruzzaman Nahid, managing director of Fakir Fashions Ltd, a major garment exporter with approximately $600 million in annual RMG exports, illustrates the grim reality. Just two years ago, his company sourced 50% of its yarn locally; now, it's a mere 25%.

"In India, the price of yarn per kilogram is Tk285 in Bangladeshi currency," Nahid explained. "Including import costs, the total comes to around Tk295 per kg by the time it reaches our warehouse. But sourcing from local mills costs around Tk330 per kg. So, under what logic would we buy from local mills?"

He anticipates a further rise in imports if the new taxes are implemented. "If the new taxes drive yarn prices even higher, we may increase imports instead of buying from local mills," he stated.

Saleudh Zaman Khan, managing director of NZ Textiles Ltd, a leading textile mill supplying yarn to exporters, estimates that the 2% AIT on cotton imports alone will increase their annual costs by nearly Tk30 crore.

"For standard yarn, such as 7-count, the tax alone could raise the price by over Tk5 per kg," Saleudh said. "On the other hand, those selling to local entrepreneurs rather than exporters will have to pay an additional Tk2 VAT per kg, which would push their cost up by more than Tk7 per kg. As a result, their yarn prices will rise even more."

NBR's assurance vs. industry reality

NBR Chairman Abdur Rahman Khan, however, maintains that the increase in AIT should not lead to higher yarn prices. "The imposed tax can be adjusted at the end of the year based on the importer's profit calculations. So, the AIT should not lead to a rise in yarn prices," he told The Business Standard, adding that the NBR would issue a clarification in this regard soon.

This assurance offers little comfort to industry players. Saleudh Zaman Khan countered, "In reality, getting a refund from the tax department in Bangladesh is nearly impossible. So we will be left with no choice but to increase yarn prices."

While garment exporters can import raw materials duty-free, AIT, though theoretically adjustable, rarely sees practical refunds, say entrepreneurs.

Consumer impact and rising smuggling concerns

The repercussions extend beyond the industry to the everyday consumer. Textile mill owners who supply the local market warn that the new tax and VAT will inevitably lead to higher garment prices, directly affecting the cost of clothing for citizens.

"The prices of all garments will increase," said Khorshed Alam, chairman of Little Star Spinning Mills Ltd, who sells yarn for the local market. "However, clothing for low-income people—especially three-piece sets, lungis, vests, and towels—will become more expensive. This will put extra pressure on them."

Beyond price hikes, the industry also fears a surge in illegal activities. The widening price gap between local and imported yarn due to the new taxes is likely to fuel an increase in smuggling from neighbouring India and the sale of duty-free yarn and fabric meant for export in the open market.

Bangladesh's policies vs. India's incentives

Adding to Bangladesh's woes, industry leaders highlight a stark contrast in policy with neighbouring India, a key competitor. While Bangladesh has introduced policies that have increased pressure on its textile and garment sectors over the past three years, India has been providing various incentives to its textile mill owners.

Saleudh Zaman noted that energy prices in Bangladesh have tripled in the past five years, the Export Development Fund (EDF) has seen reduced low-interest loans with current rates at 14%, and labour wages have increased by 70%. Additionally, incentives have dropped from 4% to 1%, further burdening local producers.

In contrast, India offers a subsidy of 2 rupees per unit of electricity consumed for its textile entrepreneurs, capital subsidies as grants up to 40% from various states, and a 3.88% incentive on export value under the RoDTEP (Remission of Duties and Taxes on Exported Products) scheme.

"Thanks to these benefits, their entrepreneurs' production costs are decreasing, while our costs are increasing due to withdrawn benefits and new taxes, putting us at a competitive disadvantage," Saleudh lamented, alleging that "a vested quarter in the country is deliberately trying to destroy the textile sector through these tactics."

Looming crisis

Bangladesh's textile mills currently possess the capacity to supply 100% of the raw materials for knitwear and approximately 60% of the yarn needed for woven garments, following some $3 billion in new investments over the past four years.

However, the surge in yarn imports by 39% in 2024, as per NBR data, underscores the growing reliance on foreign supplies. Without a policy reversal, the future of Bangladesh's textile sector appears increasingly precarious.

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China hits out at Trump's trade deal with Vietnam

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US president's focus on punishing 'trans-shipment' of goods draws Beijing's ire

BEIJING/SURAKARTA: China has hit out at the US-Vietnam trade deal, amid concerns in Beijing that the US president is using his "liberation day" tariff negotiations with third countries to curb its export machine.

The deal with Vietnam lowers tariffs on Hanoi's exports from a threatened 46 per cent to 20 per cent, but retains a 40 per cent levy on "trans-shipping" of goods -- widely believed to be aimed at Chinese re-exports to the US.

The agreement, announced on Wednesday, is the second seen as targeting China since President Donald Trump outlined his "liberation day" increases in tariffs on April 2.

In May, the US and UK agreed a deal that included strict security requirements for steel and pharmaceuticals that were widely seen as intended to squeeze China out of British supply chains.

China's commerce ministry on Thursday said it was "conducting an assessment" of the US-Vietnam trade deal, adding: "We firmly oppose any party striking a deal at the expense of China's interests."

"If such a situation arises, China will take resolute countermeasures to safeguard its legitimate rights and interests," the ministry added.

Scores of countries are racing to reach trade deals with the US before the July 9 deadline, when Trump's suspended "reciprocal" tariffs will come into effect.

Vietnam, one of the world's most trade dependent countries, had a particularly strong incentive to act quickly to avoid US tariffs. The US buys 30 per cent of its exports.

But the extent of the final tariffs agreed and the additional levy on trans-shipping reflected the heavy price for Hanoi to seal the agreement, analysts said.

"The new US-Vietnam deal is not just about trade; it is clearly aimed at China?.?.?.?it is meant to block the flow of Chinese goods that often move through Vietnam to dodge existing US duties," said Julien Chaisse, an expert on international economic law at the City University of Hong Kong.

"This fits a much wider trend: the US is lining up bilateral deals with countries near China to tighten economic co-operation and, at the same time, [make] it harder for Beijing to stretch its supply chain influence."

Many south-east Asian nations had prospered during the US-China trade war by offering alternative manufacturing and export hubs for Chinese companies seeking to evade US tariffs. But capitalising on this "China plus one" strategy translated into large trade surpluses in goods with the US.

"The key lesson for other countries from this deal, and that agreed previously by the UK, is that they will be expected to curtail some trade with China," said Capital Economics' chief Asia economist Mark Williams and senior Asia economist Gareth Leather in a note.

"That will be seen as a provocation in Beijing, particularly if similar conditions are included in any other deals agreed over coming days."

Analysts warned that the Vietnam deal, as well as others that Beijing deems as endangering its interests, could also undermine US-China trade talks. Trump recently claimed a tariff truce with Beijing had been signed, but concerns remain over Chinese restrictions on the flow of rare-earth exports and US export controls on advanced technology such as semiconductors.

"This could certainly lead to a renewed escalation of US-China trade tensions if the US insists on very stringent restrictions by third parties on imports from China," said Frederic Neumann, chief Asia economist at HSBC.

Adam Sitkoff, executive director of the American Chamber of Commerce in Hanoi, said it was a positive sign that Vietnam had locked in a deal ahead of the deadline, avoiding the situation of countries such as Japan, which Trump again this week threatened with higher tariffs.

Key for Hanoi will be how the 40 per cent trans-shipment levy is enforced. Trans-shipment is difficult to trace and the Trump administration has not said how it defines the practice, though it has made the issue a priority in trade talks with Vietnam and other south-east Asian countries.

Brian Wong, a professor at Hong Kong university, said Chinese officials knew the US would have trouble enforcing the trans-shipment measures, given the complexity of global trade and the ease with which companies can bend the rules.

"The devil lies in the details of enforcement as opposed to the agreements," said Wong, adding that Beijing's outraged rhetoric was mainly "performative".

For Vietnam, Sitkoff noted that many details of the deal remained unclear, such as whether the 20 per cent tariff was a final amount or if it would be applied on top of existing levies, as well as which products would be subject to the 40 per cent charge. "Assessing the pros and cons of the deal is difficult without seeing further details about what the tariffs actually mean," he said.

"Do the 40 per cent tariffs on 'trans-shipped' goods apply to any product that contains content from another nation? The answers to these questions can be the difference between celebrating or crying."

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BTMA urges withdrawal of AIT on cotton imports

Also seeks corporate tax rate revision to avert looming sector crisis

FE REPORT

Bangladesh's primary textile industry is feared to head towards a serious disruption, the Bangladesh Textile Mills Association (BTMA) has warned, calling for urgent policy reversals to safeguard local spinning mills from collapse and maintain competitiveness in the global market.

The association has urged the government to immediately withdraw the 2.0 per cent Advance Income Tax (AIT) imposed on imported cotton and revise down corporate tax to 15 per cent from 27 per cent to safeguard the country's primary textile sector from a looming crisis.

In separate letters sent to the finance and commerce advisers, the Bangladesh Bank Governor, and the Chairman of the National Board of Revenue (NBR) on Thursday, BTMA President Showkat Aziz Russell said the newly imposed AIT, along with an increased specific tax on yarn, would severely disrupt domestic spinning mills and jeopardise the textile industry's competitiveness.

He said the decision to increase the AIT was made without consulting industry stakeholders and is likely to be "self-defeating" for the sector and the wider economy.

"Although it may appear to aid revenue mobilisation, this AIT will significantly increase production costs and make local mills less competitive compared to regional counterparts. Textile mills, especially in the spinning segment, will not be able to survive under this pressure," the letter reads.

The BTMA warned that paying AIT on every shipment will lead to working capital shrinkage over time, with the cumulative tax burden potentially reaching up to 29 per cent annually.

If this continues, the industry's working capital could deplete entirely within three years, the association cautioned.

Bangladesh does not produce cotton and is entirely dependent on imports, it said, noting that local mills have the capacity to supply 100 per cent of yarn for the knit sub-sector and 55-60 per cent for woven apparels.

The BTMA said that this was accomplished despite challenges like gas and electricity price hikes, the dollar crisis, local currency devaluation, rising interest rates, and declining export incentives.

In addition to the AIT concern, the association also protested the budgetary measure for FY 2025-26, raising the specific tax on domestically produced cotton and blended yarns per kg to Tk 5.0 from Tk 3.0.

It argued that the increased tax will push up yarn prices and discourage garment manufacturers from sourcing locally, leading to mill closures, job losses, and declining value addition in the RMG sector.

"Such policy decisions, made without consultation, put at risk the $75 billion investment in the textile and apparel sector, and undermine the target of reaching $100 billion in export earnings by 2030," the BTMA said.

The association called on the government to support the domestic textile sector as a key partner in export growth, rather than weakening its competitiveness through abrupt fiscal measures.

BTMA also expressed its willingness to participate in policy discussions and urged the authorities to convene a meeting at the earliest possible time to address the issues raised.

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