

Direct US cotton sourcing delivers savings for BD mills

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Bangladeshi spinning mills are increasingly turning to direct procurement of raw cotton from US farmers, bypassing traditional international trading houses in a move expected to lower costs for local manufacturers while ensuring better returns for American growers.

The initiative, led by a new US-based trade platform named AmeriBangla, has already facilitated direct

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cotton purchases by three Bangladeshi textile companies, while another 19 spinning mills are in talks to join the programme.

AmeriBangla Chief Executive Officer Aswar Rahman says the company has spent more than a year building a direct supply chain linking Bangladeshi mills with US cotton growers.

"We now have a strong network of around 900 farmers across Texas, Georgia, Arizona, and Oklahoma, while our broader network covers farmers in 17 US states," he tells The Financial Express.

According to him, Bangladeshi spinning mills can save several US cents per kilogramme of raw cotton by sourcing directly from farmers instead of relying on the conventional trading system.

At present, cotton imports typically pass through at least nine intermediaries before reaching Bangladeshi mills.

"Through AmeriBangla, we are creating a transparent supply chain connecting American farmers,

ginners, and Bangladeshi spinning mills directly. This ensures fair pricing for both producers and buyers while eliminating unnecessary middlemen," he says.

Rahman says the US cotton trade is largely dominated by European multinational trading companies, leaving farmers with little bargaining power.

"It is a win-win model. American farmers receive better prices than they do from multinational traders, while Bangladeshi mills benefit from lower procurement costs by cutting out multiple intermediaries," he explains.

He notes that many US cotton farmers have been operating at a loss for the past five to six years under the existing marketing system.

"Those who have started doing business with us are returning to profitability with better margins," he adds.

Rahman believes the initiative could evolve into a strategic partnership between Bangladesh's apparel industry and American cotton growers.

"If Bangladesh significantly increases its use of US cotton, we will build stronger relationships with American farmers, who have real influence in Congress. Such a partnership could further strengthen Bangladesh's trade position in the United States while opening a new chapter in bilateral trade," he says.

He also highlights challenges in securing export finance in the United States.

"The US government is keen to promote exports through financing schemes. However, current regulations generally require exporters to have at least two years of experience and an annual turnover of around \$6 million," he adds.

Rahman expresses hope that the US authorities would consider extending greater support to emerging exporters and trading platforms.

He also observes that export financing remains a relatively weak area in the US banking sector.

"Many banks, particularly in New York, do not even have dedicated export departments. During discussions, officials often realise only later that we are talking about

exporting goods from the United States," he says.

He adds that AmeriBangla initially struggled because of the limited infrastructure available to support small and medium-sized agricultural exporters in the US, but eventually succeeded in establishing the required network.

Among the early adopters of the model is Envoy Textiles Ltd, one of Bangladesh's leading denim textile manufacturers.

Rahman says Envoy imported nearly 60 tonnes of cotton from US farmers through AmeriBangla last year.

Talking to The Financial Express, Kutubuddin Ahmed, founder and chairman of Envoy Textiles, says the company has already experienced the benefits of direct sourcing.

"We are importing cotton directly from US farmers through AmeriBangla, and it has proved beneficial for both sides," he says.

He expresses optimism that Envoy would significantly increase its direct cotton purchases this year as the sourcing model expands.

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