Rs. 5 billion textile package not yet disbursed

The State Bank of Pakistan has received Rs. 5 billion from the government under the textile package but there are no instructions for utilization of the amount despite several demands by the textile industry.

Budgetary allocation was required for several schemes announced in the Trade Policy including duty drawback for the textile sector, subsidy to PTA users and Export Finance Scheme (EFS) related incentives and also for the disbursement of remaining 60% amount of R&D claims.

According to a letter of the State Bank addressed to the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), the Ministry of Textile is yet to provide the exact heads where this amount would be utilized. SBP cannot start utilization of the released funds unless Mintex clarifies under which schemes the funds are to be utilized and in what proportion.

Bilal Mulla, Chairman FPCCI Standing Committee on Value Added Textile Products and former Chairman PRGMEA said that due to absence of coordination between Mintex, SBP and Ministry of Finance, the allocated fund was lying unutilised with the SBP. He said textile industry has been facing financial crunch and is still waiting for the R&D claims. There are 60% dues of R&D yet to be paid. The package of Rs40 billion for exports has already been approved in the budget 2009-10 and there should not be any delay in issuance of instructions to the SBP, which is responsible for the disbursement of claims under the said notification.

A spokesman of the Textile Ministry has clarified that with constant efforts of the Minister for Textiles Industry, the Secretary Mintex and co-operation of the Minister for Finance who has ordered the release of the budgeted amount of Rs 10 billion, of which Rs 5 billion has already been placed at the disposal of the State Bank of Pakistan to commence disbursements. The remaining amount would be released to the SBP after the utilization of the first trenches.

Ministry intervention vital to control yarn prices

Pakistan Readymade Garments Manufacturers and Exporters Association have demanded the intervention of Textile Ministry to control the rising yarn prices in domestic markets which would result in delay and cancellation of exports orders.

Chairman Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Mohsin Ayub Mirza said that 30% to 40% increase in yarn prices and its shortage due to steep increase in its export would not only hurt this sector but also harm the inflow of incoming future exports orders.

He said that the rise in yarn prices would deprive Pakistan of short-term delivery advantage, which has been our edge over other textile exporting countries. According to Mr Mirza, we are better placed to provide short-term orders to international buyers as compared to our competitors thus earning much-needed foreign exchange for the country.

Textile Ministry has set a very progressive export target for the industry but we fear that we would not only fail in achieving the export target in absence of any immediate action on the yarn prices issue but it also bring industry at the verge of collapse.

Registration of textile units

Registration process of textile units is underway and so far about 4,100 units have filled the forms on-line. A spokesman of the Ministry of Textile Industry, in a statement said the Ministry had evolved a three-tier scrutiny system for checking the forms which were forwarded by the associations after verifications.

He said about 300 units had been issued provisional certificates, about 30 final certifications had been made and the remaining forms had been returned to the associations as these had major discrepancies and could not be considered even for provisional certification. These forms will have to be resubmitted.

Shortage of cotton, poly cotton yarn hitting export of textiles hard

Severe shortage of cotton and poly cotton yarn and 25% to 30% hike in the prices are adversely affecting the export of textiles, which have already declined by 11.45% in the first quarter of fiscal year, said Sohail Pasha, Acting Chairman, Pakistan Textile Exporters Association.

He said that cotton and poly cotton yarn were the main raw materials for the textile chain and for the value-added industry. Prices of cotton and poly cotton yarn have been manipulated by the unscrupulous traders. Furthermore artificial shortage of cotton and poly cotton yarn has been created by the holders and speculators.

Resultantly not only the supply of Cotton and Poly Cotton Yarn in the market has decreased creating shortage but also the prices of various qualities of cotton and cotton yarn have jumped enormously. He said that situation has been further complicated by unjustified hike in the prices of polyester cotton yarn, which is the second alternative raw material for the textile industry.

As a result the up stream value adding industrial chain is confronted with shortage of raw material for their industrial production as well as difficulty in meeting their export commitments with their foreign buyers.

He demanded the government to control speculations and hoarding of cotton and poly cotton yarn by yarn dealers and total ban on export of cotton and capping the export of poly cotton yarn providing sufficient raw material for domestic consuming industry prior to allowing any export of poly cotton yarn.

Unplanned export of raw cotton and yarn hurting apparel sector

Unrestricted export of cotton and cotton yarn has been creating serious problems for the apparel sector, whose exports are falling because of this issue.

The constant export of cotton and cotton yarn has pushed up their prices to new heights, ultimately increasing the cost of production of apparel sector, said Jawed Bilwani, Chairman, Pakistan Apparel Forum.

He said that unrestricted export of cotton yarn would have a serious effect on the exports of the value added apparels making it difficult to achieve our ambitious export target.

The irony is that the cotton yarn is being exported to our competing countries, which is tantamount to arming them for competing in the finished product market. Value added apparel sector is converting raw cotton of 67 cent a pound into value added finished goods worth $5 to $6 a piece, earning valuable foreign exchange for the country.

Exports of raw cotton and semi-finished textiles have increased considerably in recent times, which are indeed alarming: Raw cotton exports were up 40% in FY08, 25% in FY09 and overall 20% from 2006 to 2009.

On the other hand, at the closing of financial year 2008-09, an unacceptable drop in exports was registered in major value added sectors, i.e., knitwear -8%, bedwear -10%, and readymade garments -4%, while exports of cotton increased by 25% while that of yarn increased by 15%.

Prices of different qualities combed and carded cotton yarn increased 24% to 33% in the last three months. With the above rise in price of cotton yarn the cost of production of garments goes up by 10%.

India as well as China, main competitors of Pakistan, export cotton and cotton yarn but they give regard to the requirement of the value added textile exporters and export only after determining the size of the crop and the exportable surplus, ensuring that the requirements of their value added textile exporters are properly met.

He said that our value added apparel sector is reeling under immense pressure of high costs of doing business, rising utility rates and several other problems. Further, this unrestricted export of major raw material, cotton and cotton yarn, has led to spiralling prices and is crucifying our exports of value added apparel which will lead to further closures of large number of export oriented units.

The EU and US major importers of local textiles—are still trying to grapple with the deep-rooted economic problems. The IMF has predicted that GDP growth in the EU and US would remain flat in the current year. Domestically, the power crisis, gas load shedding, high financing cost, other infrastructure problems and above all the deteriorated security situation caused a big dent in textile exports.

Implementation of textile policy

Federal Minister of Textile Industry, Rana Farooq Saeed Khan, has assured textile sector that all remaining SROs related to implementation of textile policy will be issued soon.

Speaking as Chief Guest at a dinner of Pakistan Hosiery Manufactures Association (PHMA), he said that five-year textile policy has been announced for the first time in 62 years and this would be followed and implemented in letter and spirit.

The government has already issued some of the SROs and remaining would be issued soon to remove all hitches coming in the way of implementation of the policy. The government is seriously committed to supporting the textile industry, as it is not only the largest foreign exchange earner for Pakistan, but also the largest employment producing industry.

The Minister urged to carry out research to develop new cotton seed variety to increase per acre cotton yield.

Estimates of bumper cotton crop

The estimates of a bumper cotton crop this season of 17 million bales are totally misleading to fleece the growers and keep the phutti and lint prices low as compared to international market prices, analysts and cotton growers said.

They clarified that the farmers had sown early maturity cotton varieties including Bt seed this year to complete the cotton-picking one month earlier so that they could sow strategic wheat crop over the cotton vacated fields. The growers started to first pick phutti in late August, almost one month ahead of the traditional time due to which the ginning factories recorded arrival of 7.363 million bales by November 1 as against 5.258 millions recorded on this date last year despite reduction in the cotton production.

They said 80% seasonal cotton picking has been completed in Sindh and Punjab, therefore, total cotton (phutti) production would not be more than 12.1 million bales, 1.3 million bales less than the target. The Federal Committee on Agriculture (FCA) had estimated around 12 million bales to be produced this year.

Bt cotton seeds sowing from next kharif

Pakistan will officially launch genetically modified (Bt) cotton cultivation from kharif season next year to achieve the target of 20 million bales by the year 2015.

The country will officially announce the plantation of Bt cotton from April 2010 and country was expected to touch production of 14 million bales next year.

He said that around 20% certified Bt cotton would be planted next year and the cultivation area would continue to grow till the country achieves more than 90 % cultivation of Bt cotton.

The Minfal officials said that the current cotton production was low due to heavy prevalence of unapproved seeds in the country. Almost 80% of cotton farmers are using unapproved and unspecified seeds and production would gradually improve after re-introduction of certified seeds.

Pakistan has developed the disease-resistant seeds of Bt cotton as it was the basic requirement before the official launch of biotech cotton in the country. The public sector labs have produced a curl leave virus (CLVC) resistance seed and it was in its final tests.

The Pakistan Central Cotton Committee (PCCC) has been experimenting on ten crops at various locations, while the Pakistan Agriculture Research Council has been conducting tests over CLVC with Chinese experts.

The Ministry was in the final phase of negotiations with two local and six international firms, including Monsanto, the US-based agro firm, which would be importing Bt cotton seeds from its facilities in India. The Minister said that imported Bt cotton seed may dominate the market in 2010 but local certified seeds would take the majority share in coming years.

Plea to lift ban on import of used textile machinery and parts

Ban on import of used textile machinery and parts are causing huge financial losses to the national exchequer, said President of Used Machinery Importers Association M. Ayub Mughal.

He said that smuggled goods had flooded the local markets and Chinese goods were available at cheaper rates. Circuit breakers, used bearings, compressor heads, industrial gate wall and air blowers for textile machinery were not manufactured in Pakistan.

He also mentioned the importance of used bearings, and said that most of the transport, running on rural and link roads, used these used bearings. As such, ban on its import had created problems for the small transporters and small-scale industries.

He demanded of the Commerce Ministry to negotiate with used machinery importers to resolve this issue. He also demanded withdrawal of ban on import of used machinery under "Appendix-C," and issuance of a directive to clear the consignments of used machinery rusting at various dry ports in the country.

Non-performing loans soar during last 10 years

The non-performing loans (NPLs) of Pakistan's development financial institutions (DFIs) have soared by over 115% in just 10 years from Rs 185 billion in 1999 to Rs 398 billion in 2009; reveal the figures quoted in this context by the IMF, the World Bank and State Bank.

The NPLs have swelled by Rs 21.3 billion or 11.5% every year during the 10-year period in Pakistan, which happens to have the world's 27th largest economy in terms of purchasing power and 48th largest in absolute dollar terms.

While the State Bank Governor had predicted increase in NPLs by March 23, 2009 while speaking at the Lahore Chamber of Commerce and Industry, the Allied Bank Chief had also analyzed a few months ago that since the under-par textile sector was in trouble due to cancellation of orders, the reduced liquidity demand from the banking sector would lead to rising NPLs.

Chairman All Pakistan Textile Mills Association (APTMA) Mian Gohar Ejaz said, "If you remain out of operations for seven months of a year, as has been the case with the textile sector for the last two years, it is impossible to repay the loan and the accruing bank interest. Hence, massive bankruptcies are definitely on the cards now, because from next month onwards, the load-shedding of gas will lead to large scale closure of the textile sector which happens to be the key forex-earner for the country contributing no less than 61% ($8.92 billion) towards the export kitty, besides accounting for 8.5% of Pakistan's Gross Domestic Product (GDP)."

The APTMA Chief further remarked: "Currently, one-fourth textile industry is closed due to banking and security issues. It goes without saying that power and gas disruptions during the last two years have pushed this sector towards the wall. And now gas curtailment notices from November 2009 to March 2010 will serve as a final nail in the coffin for the industrial sector, particularly the textile sphere."

Meanwhile, Chairman Punjab Industrial Estate S M Tanveer observed, "The export of textiles has declined from $10.6 billion of 2007-08 to $9.6 billion in 2008-09, though it was around $11 billion in 2006. I can thus safely apprehend that loan defaults may greet banks in large numbers in near future. Our calculations reveal that over 30% of the 970 textile units are already closed down. And now, the security situation will take its toll as neither would the prospective foreign buyers land on our soil, nor would they take the risk of placing their orders with us."

EU to develop direct links with textile industry

The European Union (EU) has decided to develop direct links with Pakistan's textile manufacturers to discuss the possibility of extending the coveted 'Generalized System of Preferences' (GSP) as well as other incentives, said Muhammad Akbar Sheikh, Acting Chairman of Aptma.

Aptma's research and development centre is preparing its presentation to respond to following critical questions: (i) how can Pakistan be included in GSP like Sri Lanka; (ii) how ROZ type facility can be provided by the EU; (iii) what non-tariff barriers are being faced by Pakistan's textile exporters; (iv) how Saarc cumulating rules can benefit Pakistan's exports; (v) how land route, railways transport link through Turkey can help Pakistan's exports; (vi) how repetition of trade remedy measures by the EU can be avoided; (vii) how EU can assist Pakistan in compliance issues and forthcoming environmental issues; and (viii) how EU can help Aptma in an effective participation in WTO negotiations. Aptma committee on WTO would also call for 'GSP plus' market access, which has been denied because of technical reasons. Pakistan's GSP textile exports to EU exceeded the limit of 1% of EU GSP imports by 0.48%, disqualifying Pakistan.

Developing countries asked to buy fabrics from Pakistan

The European Union (EU) has asked Bangladesh and other developing countries to buy fabrics from Pakistan to receive GSP facility to EU countries. According to a statement issued by the Ministry of Textile Industry, Bangladesh has not given this facility to Pakistani fabrics but the change of rules of origin (RoO) in January 2010 would favour single-stage transformation to their garment manufacturers and will allow Pakistani fabrics this facility.

Bangladesh Textile Mills Association (BTMA) has opposed the new criteria of EU on the ground that substantial investment has been made in BD Primary Textile Sector (PTS) that is spinning and weaving, to the tune of $4 billion to get the benefit of GSP facility on supply of yarn and fabrics to local garments manufacturers.

Advisor on Textiles Dr Mirza Ikhtiar Baig said that Bangladesh also has to give Pakistani fabrics GSP under SAARC Regional Accumulation and as per EU move to change the rule of origin from January 2010.

Ministry seeks release of Rs 40 billion for EISF

The Ministry of Textile has approached the Ministry of Finance for the immediate release of Rs 40 billion for Export Investment Support Fund (EISF) which would be spent on textile and clothing industry with a view towards consolidation and value addition of the sector.

Federal Secretary for Textile Dr Waqar Masood Khan said that the Ministry of Textile was confident to get investment support fund of Rs 40 billion in line with the new textile policy.

Out of around 10,000 textile operative units, the Textile Ministry had so far received about 3,000 applications for registration purposes, however, only the registered textile units would be eligible to avail the facility.

He said the government had already announced Rs 40 billion export investment support fund in the new textile policy 2009-14 to address the issues of export-oriented industry of the country.

Minister urged to speed up implementation of textile policy

Ijaz Khokhar, Former Chairman Pakistan Readymade Garments and Exporters Association (PRGMEA), and Bilal Mulla, Chairman FPCCI Standing Committee Value Added Textile products, have urged the Minister of Textile Rana Farooq Saeed Khan to speed up implementation on textile policy announced by the government.

According to them implementation on much appreciated textile policy till today is almost zero. Textile policy announced on August 13, 2009 with long-term vision and textile exports target $25 billion in next 5 Years, which was hailed by all textile sectors across the country.

However on September 1, 2009, the required notification issued by Mintex pertaining to drawback of local taxes and levies Order 2009 with full procedure of refund through State Bank of Pakistan (SBP). Both the leaders of textile sector are of the view that despite a lapse of 45 days after the notification no fund has been allocated by the Finance Ministry, which is necessary to accept claims.

Govt focuses on boosting textile sector

Federal Minister for Textile Industry Rana Farooq Saeed Khan said that textile is a major source of increasing the country's exports and that is why Pakistan has world standing in this sector.

He expressed these views while talking to a delegation of farmers who met here at his office. Rana Farooq said that this sector is providing livelihood to more than 10 million farming families while it provides 40% of the industrial employments.

While expressing his views regarding cotton, he said that it is the great honour for us because Pakistan is fourth largest producer and 3rd largest user of cotton. Due to energy crisis and other problems like quota system, textile sector has been affected adversely. However, he said, the government of PPP was giving extra ordinary concentration on boosting the textile sector.

The government is taking immediate measures to overcome energy crisis which is affecting every sector of our economy. The farmers apprised that Minister about different problems faced by them.

The Minister further said that all problems regarding cotton production will be addressed through enforcement of the standards laid down in the Cotton Control Act and Cotton Standardization Ordinance. Special measures would be taken for grading and classifying the cotton in coordination with private sector. Moreover, new and modern kinds of cotton seeds would be introduced to maximize the cotton production, he added. He said immediate measures would be taken for their cultivation.

Textile sector's profits plunge by 57%

Textile sector's profits plunged by 57% as it went through a tough time during last year with exports declining by eight percent owing to international financial crisis and domestic energy shortages.

The calculations based on the listed textile firms depicted the bleak picture of this key sector, which has been passing through a horrible time for quite some time.

Though, there are textile companies that are out of the loop of stock market, the financial results of the listed firms broadly represent the sector as the composite sector represents 88% spinning, 60% weaving sectors.

Government announced Textile Policy in August this year and gave a bailout package of billions of rupees to various sectors to boost their exports. However the critical issues related to power and high financing cost remain unaddressed which bodes badly for the sector in the coming days.

Analysts said that the production suffered due to domestic issues badly impacted the export performance of the textile industry, which is the lifeline for their survival.

Pakistan's textile exports were hit hard by intense competition from the regional countries in last fiscal and this, alongside rising interest rates and prolonged power cuts proved to be a hindrance to earnings of the textile industry.

The global financial crisis, which hit the developed countries last year, has wreaked havoc with their economies. As a result the purchasing power of the consumers took a hit and demand for textiles and apparels plummeted. The EU and US-major importers of local textiles are still trying to grapple with the deep-rooted economic problems. The IMF has predicted that GDP growth in the EU and US would remain flat in the current year.

Textile sector's top line witnessed a growth of 17% YoY to record at Rs 177 billion in 2008-09. The main reason behind the surge in sales was rupee depreciation (20%in FY09). Amid higher revenues and lower cotton prices, gross margins improved by 190bps YoY to 16% in the year under review.

Development of fashion, design sector the need of time

Federal Minister for Textile Industry Rana Muhammad Farooq Saeed Khan has said that development of fashion and design sector is the need of time, so that value added industry may be promoted. He expressed these views while talking to a delegation related to Fashion and Designing who met him.

Federal Minister said that home textile is initial stage of value added products. Pakistan has made significant advances in this area and its products are ranked amongst the best, but there value is still low as compared to other branded names.

He said that the government realists the importance of this sector and maximum efforts will be made to develop Fashion and Designing and Branding because it is the requirement of the industry. Members of delegation shared their views and ideas related to Fashion and Design and textile industry with the Federal Minister for Textile Industry.

Cotton exports of one million bales likely this year

One million bales of cotton export are expected this year in contrast to 375,000 bales last year. Market sources said that an increase in demand for Pakistani yarn cotton and cotton by China and Italy as well as a higher international price for the product are the main reasons for an escalation in exports.

The prices in international market are high as compared to local market and exporters are hopeful to earn Rs 20 billion through cotton exports in the current fiscal year. Sources revealed that Pakistani cotton exporters are targeting markets in China, Indonesia and Far Eastern countries.

Sources maintained that international lint buyers regard Pakistani cotton as number one in quality as well as highly competitive with respect to prices. At present, rate of cotton in the domestic market is Rs 4,000 per maund that is lower compared to the price in the International market that stood at about 68 cents/pound i.e. Rs 4,500 per maund.◆