

Textile sector facing shortage of raw material

Country's textile sector is facing a shortage of raw cotton and cotton yarn due exports of raw cotton and yarn negatively affecting value-added knitwear garments, sportswear and other products. An increase in demand for Pakistani cotton and cotton yarn by China, Bangladesh and other countries as well as a higher international price for the product are the main reasons for an escalation in exports.

Spinners have booked \$300 million fresh orders for export of the commodity. High prices of cotton yarn and its shortage is posing serious problems for the value added sectors to operate their units. In fact the value added sector is now seeking viable sources of yarn imports to keep their mills in operation. On the other hand spinners are also importing cotton from various sources as the demand of cotton despite a better crop is expected to be higher than its production this year.

Cotton exporters have purchased about 661,000 bales of cotton during the cotton season 2009-10 whereas, last year they had purchased about 225,000 bales. According to the sources, this quantity is the biggest quantity of cotton bales purchased by the exporters during the last ten years. On the other hand, textile mills have purchased about 9.3 million bales of cotton from the ginning factories till December 15, 2009, whereas last year during the same time period, textile mills had purchased about 6.3 million bales of cotton from the ginning factories.

As per the USDA report worldwide cotton production is expected to fall by 13 million bales and overall cotton production would be 107 million bales as against 120 million bales during the current season. At the same time, the country is expected to get a cotton crop of over 12 million bales during current fiscal year as compared to 11.3 million bales in last fiscal year 2008.

Export of raw cotton is constantly on rise since July 2008 and as per the official statistics, the country exported raw cotton worth US \$40.451 million during July-September of FY10 as compared to US \$29.051 million during the same period of FY09, thus showing an increase of 39%.

Far Eastern countries, besides Bangladesh and China are the major cotton importers and placing millions of dollars orders ahead of expected further increase in cotton prices in world market. As a result the price of cotton has increased significantly for the local spinners as well.

Apparently the advantage of cheap domestic raw material, cotton for the spinning industry and cotton yarn for the value added industries has now eroded. This is now a global market place and trade barriers and restrictions on imports and exports are against the WTO rules and can be contested by affected countries. Therefore restricting the exports of cotton and yarn is actually not the answer. The weaving and knitting mills in Pakistan had never considered imports of yarn in the past are now seriously in negotiations with global suppliers.

In the long run such imports will enhance the range of our value added products as the industry will be able to produce knits and garments from fine count and high value added imported yarns, while the spinners will also be able to spin innovative yarns from imported cottons.

While Pakistan's textile industry could not compete in international market in high priced high quality bracket, despite and perhaps due to the abundant availability of local cotton and yarn the present predicament of the industry can be considered as a significant opportunity for improvement.

On the other hand, long hours of electricity and gas supply suspension as well as its high cost has slowed down the pace of industrial growth and eroded the natural advantage our industry has enjoyed so far of cheap raw material and reasonably priced energy to run mills efficiently. These current and pressing issues need to be addressed seriously and sincerely in order for Pakistan's textile industry to sustain and remain viable. ♦

