

## Import duty on yarn vide Chapter 52 to be removed

In December 2009, the Cabinet Committee on Textile decided to eliminate 5% customs duty on import of cotton yarn falling under Chapter 52 of the Harmonised Tariff Schedule. Status quo would be maintained on export of cotton yarn, and it has been decided that the Cabinet Committee would keep yarn exports under review and would only take corrective measures if exports crossed the level of 50 million kg per month.

Exports of yarn will be allowed only against letters of credit (L/Cs) and advance cash received through normal banking channels and following registration of contracts with the Trade Development Authority of Pakistan (TDAP). The cotton yarn exports from Pakistan had declined to 59,000 tons in November compared to 73,000 tons in October, easing prices for the local industry and providing official agencies a sufficient room to continue with a liberalized trade regime.

The value added sectors in the textile industry proposed to ban yarn export, or at least tax it, after prices surged to an all time high level in late October. However, on the other hand this could also deprive cotton growers of an opportunity to get a reasonable return by exposing to a exploitation by industrialists.

Official sources at the MINTAX explained figures compiled by Trade Development Authority of Pakistan (TDAP) had suggested that there was a decrease in exports during the month of November and a total of 300,000 tons of yarn had been exported during the period of past five months between July and November.

The Chairman, Waheed Khalid of Save Power Loom Movement from Faisalabad informed the Federal Minister, Rana Farooq Saeed that the price of 80 single yarn was 13,000 per 48 kgs bag that rose to Rs. 29,000. Similarly, 40 single yarn which was earlier available at Rs. 7,500, is now not available even at Rs. 12,000. He said, yarn export jumped to 44% this year and it stood at 107%. However cotton cloth export reduced to 32.5% owing to yarn crisis.

Spinners on the other hand said that value-added textile industry consumed only 120 million kg of yarn, and around 60 million kg was converted into cotton fabrics. APTMA also released that only 59 million kg of yarn was exported out of total production of 241 million kg, therefore, 182 million kg was available for value-added textile units. Spinner say that it is not the issue of availability of yarn in domestic market, but of high prices, which are driven by market forces. It is important to note that yarn prices per pound of 20 single count in India is Rs. 120 as compared to Rs. 95 per pound in Pakistan. The cotton fabrics worth \$1.3 billion are exported per year and the yarn output in Pakistan Exceeds the requirements of the value added sector in Pakistan.

Similarly, the cotton crop yield for season 2009-10 was estimated at 12.10 million bales against the domestic consumption of 14.681 million bales required for spinning bales on expected cotton crop. The country is faces a deficit of 2.581 million bales. Market report of December 1, 2009 indicated arrival of cotton crop at 10.472 million bales, of which sale of raw cotton to exporters stood at 6,27,08 bales and sale to spinning mills at 82,84,941 bales, therefore, unsold stock stood at 15,15,778 (stock to ginners).

In the year 2008-09 cotton sales to exporters were 214,631 bales and 6,93,243 bales were exported from August 2009-10. This raw cotton from fresh crop exceeded 4,12,387 bales in comparison of last year, causing crisis to the textile sector. ◆

