

## Yarn exports to be limited at 550m kg for FY10

Yarn exports have been limited to 550 million kilogram for the current fiscal year in a joint decision by the Standing Committees of National Assembly and Senate on Textile.

Due to the heated debate between the yarn manufacturers and the apparel forum the committee members decided to shut its doors for all outsiders and the decision to limit the quantity of yarn to be exported from Pakistan was taken behind closed doors. However, the yarn manufacturers have rejected the joint decision of the Standing Committees.

Senate Standing Committee on Textile, senator Gul Muhammad Lot said that the decision has been taken in view of serious problems faced by the textile sector and we have taken note of average yarn exports of last three years that was 525 million kilograms per annum therefore in view of higher yarn production this year, 550 million kilogram has been allowed for the current fiscal year.

He further said that the Committee has observed that the knitwear, hosiery and apparel sectors were facing serious problems as yarn is not available in the markets. The committee was informed that 368 million kilograms of yarn has already been exported to China, due to bad cotton crop in that country.

However on its part the yarn manufacturers said that the spinning sector has suffered in the past two years mainly due to the monopolistic policies of the apparel forum. They have not been paying the right price for yarn and controlling exports would be against the free market policy.

Yasin Siddik, Yarn manufacturer said that yarn manufacturers import costly cotton, and if the rate of yarn is reduced by controlling exports, the spinners will not import costly cotton to meet the demand.

## Government may soon issue SRO about TUF

The Ministry of Textile is likely to issue Statutory Regulatory Order (SRO) about technology up-gradation fund (TUF) to facilitate new textile sector investors.

Sources said that the Ministry had already completed the groundwork it would issue SRO about the TUF soon. In the Textile Policy (2009-14), it was announced by the Federal Minister for

Textile that the government would contribute part of its investment financing or part of the investment cost through the TUF. Through this scheme, for capital intensive projects, the government will pick-up 50% of interest cost of new investment in plant and machinery with a maximum of 5% mark up.

For small investments, the government will contribute up to 20% of capital cost as a grant. For this purpose, the government has kept a budget of Rs 1.6 billion in the current financial year for the scheme.

Notifications regarding important policy initiatives have already been issued, including SROs about the free import of machinery for the textile sector to facilitate the sector in full implementation of the new textile policy.

## Removal of Customs duty on yarn imports

The Cabinet Committee on Textile decided to eliminate 5% customs duty on import of cotton yarn falling under chapter 52 of the Harmonized Tariff Schedule and Federal Minister for Textile Industry Rana Mohammad Farooq Saeed Khan. He observed that due to cotton failure at the international markets yarn prices had increased globally, however, if the mid-stream textile sector finds feasible it can import yarn even from India.'

A Textile Ministry official informed the Committee that the yarn production was expected to be around 2.6 million tonnes this season and a check on its exports could bring down yarn prices in the local market.

The meeting was informed that there was a need to provide a level-playing field to all stakeholders in the textile chain and the requirements of all the sectors should be fulfilled in a competitive manner.

It also reviewed the production, prices and domestic availability of cotton yarn in the wake of rising complaints of shortage by the textile sector due to massive exports.

## PSC set to approve locally developed Bt cotton varieties

The Punjab Seed Council (PSC) is all set to approve locally developed Bt cotton varieties along with two other options of having Chinese and Monsanto technologies for boosting cotton production to meet local requirements.

Ten Bt cotton varieties will be put before the PSC mostly evolved by the progressive farmers of Multan, which is likely to meet in the first week of February 2010, for its approval.

There is no officially approved Bt cotton variety in the country and about 80% of Bt cotton cultivation is based on unapproved varieties in the main cotton-growing areas of Punjab. The Ministry for Food and Agriculture (MINFAL) and Monsanto (USA) signed a Letter of Intent (LoI) in May 2009 for using collective expertise to expand cotton production in Pakistan through the introduction of Monsanto's insect-protection technology Bollgard-II. However, the LoI has been lying with the Law Ministry for vetting since May, 2009 and a powerful lobby backed by a parliamentarian and former Federal Minister from Southern Punjab is blocking the US Company's move to introduce the technology.

Chairman PARC Dr Zafar Altaf has brought nearly one tonne of Bt seed from China when he visited China last year. Similarly, the government of Punjab also signed an agreement with Chinese for bringing Chinese Bt technology. With this local approval of Bt variety and Chinese introduction of Bt, an official of the Ministry of Food and Agriculture said that it would definitely help not only to enhance the cotton production but also to uncontrollable CLCV menace.

## Capping yarn export to result in closure of spinning mills

Chairman All Pakistan Textile Mills Association (Aptma) Punjab, Gohar Ejaz said that quota restriction on export of yarn would lead to closure of 400 spinning mills, consequently rendering thousands of employees jobless. He said that APTMA has conveyed its stance to the government and value-added sector clearly, and established its case with authentic statistics that any move to restrict the exports of yarn would be taken as worst decision on part of the government. Any quota restriction on exports of cotton yarn would play havoc with the industry and the government should leave it to market forces.

According to him, the textile spinning industry has procured its inputs on international prices and facing anti-dumping duties on import of its raw material. The measure/move to curb export of yarn would be tampering with Free Trade Mechanism, which would not be in the interests of cotton

growers, spinning industry and textile value-added chain and would adversely affect export and national economy.

Gohar said the industry was already passing through a worst situation due to unprecedented load shedding of electricity and gas, high mark up rate and restrictions on import of raw materials, a phenomenon that has multiplied its cost of doing business. The spinning and weaving industry not entitled to concessionary finance, duty drawback or any other incentives.

### Duty withdrawal to boost textile industry

The decision of the government to withdraw customs duty on the import of textile machinery and equipment will accelerate industrial development, generate employment and boost manufacturing process in the textile sector, said Muhammad Mansha Churra, Acting President FPCCI.

He said the decision of the Federal Minister for Finance, Shaukat Tarin, which was a key demand of the textile industry. Pakistan's textile industry has been passing through its worst period with exports falling and further expansion in the sector put on hold for the last many years. He said the textile industry was likely to restart its journey on the export track.

### July-November cotton exports up by 107%

The country's raw cotton exports registered a robust increase of 107% percent during first five months of the current fiscal year, mainly due to the rising demand in international market. Industry sources said that Pakistani exporters are getting huge export orders on the back of the expected bumper cotton crop and prices lower than other countries.

As per world cotton estimates, all major cotton producers, including China, are likely to face short cotton crop this year, therefore, demand for cotton in the world market is higher than previous years. Pakistan is expected to get a bumper cotton crop of over 12.5 million bales during 2009-10 as compared to 11.2 million bales in 2008-09.

Although the expected bumper crop would not be sufficient to meet the country's overall demand, which presently stands at some 15.5 million bales to 6 million bales, export of the commodity is on surge as there is no restriction on import and export of raw cotton due to free economy under WTO agreement.

The export of raw cotton has been rapidly and constantly rising since July

2009 and, as per official statistics, the country's cotton export has posted an increase of 107.42% during first five months (July-November) of current fiscal year.

The country exported raw cotton worth US \$108.497 million in July-November of current fiscal year 2009-10 against US \$52.308 million during corresponding period of 2008-09, depicting an increase of US \$56.189 million. At present, Pakistan's exporters and traders are offering lowest cotton price in the region as compared to other competitors, as a result, they are getting massive export orders," said an exporter.

### Value added textile sector being forced to halt production

Fourteen associations of the value added textile sector have declared that they are being forced to stop production due to inability of the government to press yarn spinners to rationalize their attitude.

Pakistan Hosiery Manufacturers Association (PHMA) stated that instead of considering the needs of the sectors, the priority of spinners is to strengthen Pakistan's competitors like Bangladesh, India and China.

In an advertisement issued by APTMA they claim that the shortfall of raw cotton is 4 million bales. It urged the government to realize that the strong cartel of spinners will decide not to import raw cotton and would further squeeze the domestic yarn consumers by creating further shortage of yarn and increasing prices.

Dr Khurram Anwar Khawaja, Chairman Pakistan Hosiery Manufacturers and Exporters Association (North Zone), said governments all over the world have been adopting measures to safeguard interests of their industry within the WTO framework, but

Pakistan's government seems helpless before the powerful cartel of spinners. He added that employment of millions of direct workers and the downstream sectors have been put to stake by the attitude of spinners who have created confrontational attitude towards their own local consumers.

### Steps to strengthen textile sector stressed

Prime Minister Syed Yousuf Raza Gilani stressed the need to reinvigorate the textile sector, keeping in view its importance as the backbone of national economy. Talking to Federal Minister for Textile Industry Rana Muhammad Farooq Saeed Khan, he said the provinces should be consulted while making policies for this important sector.

The minister briefed the PM on steps being taken by the government for facilitating the sector and for ensuring availability of raw material for value added products. Rana Muhammad also apprised the PM about the implementation status of the recently announced textile policy, which has set a prospective plan for the next 15 years, under which the country will move at the higher end of world textile map by achieving a target of textile exports between \$75 to \$100 billion.

### New investment a must for creation of jobs

Pakistan had a distinct advantage in textiles over its competitors particularly in coarse yarn products. The industry was unable to exploit that advantage because of the failure of the government to implement its own textile and trade policies in letter and spirit, said senior economist Naveed Anwar Khan.

The demand for Pakistan yarn, clothing, bed sheets was on the rise but the textile sector had been denied access to credit, electricity and gas despite governments promises to give these facilities on a priority basis.

He said terrorist activities and political instability had not affected the productivity of the textile sector so much as the denial of utilities. Producing electricity from diesel or furnace oil was six to eight times expensive than gas, which the textile mills cannot afford.

Market analyst Yunus, FCA said the government should take effective measures for job creation. He said the private sector credit declined by over 100% last year because no project loans were applied.

He further said this year the situation was at its worst as the private sector was retiring the credit taken for operating expenses. He said if fresh investment was not injected for initiating new textile projects Pakistani entrepreneurs would be sitting on obsolete technology and losing export markets.

### 190 million-kg cotton yarn to be exported in six months

Pakistan will export 190 million kg cotton yarn in the next six months as 360 million kg has already been exported of the 550 million kg export target fixed for the ongoing fiscal year, said Gul Mohammad Lot Chairman Senate Standing Committee on Textile and Industry.

He said that last year global cotton production fell by 13% whereas in Pakistan it increased by 22%, attracting world yarn consumers hence exports witnessed above target increase. Government also wants to protect the local textile industry and would soon chalk out a compressive strategy to improve this sector for earning maximum foreign exchange.

He further said in the meeting All Pakistan Textile Mills Association (APTMA) demanded total ban on yarn export, but

we want to strike a balance between demand and supply. The country also needs foreign exchange which could only be earned through value added products export.

### APTMA criticizes 13% hike in power tariff

All Pakistan Textile Mills Association (APTMA) has flayed the electricity tariff hike by 13.60% and resumption of four hours electricity load shedding for the Textile Industry affecting the viability of electricity dependent mills as well as availability of yarn for consumption by the ancillary industry in the domestic market.

APTMA spokesman stated that the unbearable electricity tariff hike by 13.60% would make the export oriented textile industry unable to compete in the international market place. Textile spinning and organized weaving industry cannot sustain the price increase in the electricity tariff. It is apprehended that electricity being 40% of the conversion cost of the industry would lead to closure of mills due to tariff hike.

Electricity tariff for textile industry (B-3/B-4) average rate was Rs 3.70 per unit in 2007 which has increased to Rs 6.35 per unit, a raise of 60% in 2 years. Textile industry is not in a position to bear an unprecedented hike of 13.60% effective from January 1, 2010.

The spinning industry is the backbone of the textile value chain therefore availability of continuous electricity supply at competitive tariff is imperative for the industry and exports to meet long term goals of trade and textile policies.

### Garment City project in Hyderabad

Sindh Chief Minister has approved in principle the establishment of a Garment City in Hyderabad and allowed allocation of Rs 100 million for feasibility preparation. The project on 500 acres of land will cost Rs 225 million and its completion will take two-years.

The Minister said that garment city in Hyderabad would be the biggest in Pakistan, whereas Faisalabad garment city company, which is incorporated by Securities and Exchange Commission of Pakistan (SECP) is spread on 40 acres of land only.

He said foreign investors/entrepreneurs could quickly move in and start manufacturing in accordance with WTO requirements. He hoped the project would attract foreign investors who would prefer

to get state of the art factory space, rather than investing their capital in land. He said that the project would generate sizeable employment opportunities, especially for women.

He pointed out that garment cities are successfully operating in China, Singapore, Vietnam and Bangladesh while India is setting up large industrial parks for the same purpose. Under the Trade Policy, the establishment of three garment cities in Lahore, Karachi and Faisalabad has been envisaged to develop state of the art facilities for garment manufacturers.

### Exporters purchase about 661,000 cotton bales

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 23, 2009, whereas last year during the same time period, textile mills had purchased about 6.3 million bales of cotton from the ginning factories. Textile mills are the biggest buyers of cotton from the ginning factories.

### Textile exporters assured of implementing policy

Chairman Senate Standing Committee on Textiles Gul Mohammad Lot has said the government will ensure implementation of the textile policy in letter and spirit as textile is the biggest export-earning sector.

Speaking at the Lahore Chamber of Commerce and Industry, he said steps were being taken to help strengthen the textile sector, boost exports and create jobs. Such measures would help the capital-starved exporters to increase their exports and help reverse the declining trend in exports.

He further said the government was taking all measures to remove regulatory bottlenecks in market access and was improving information and communications technology. He, however, expressed concern over shortage of skilled labour and sought private sector's help to overcome the shortage. In order to improve competitiveness and quality of products, the textile industry required investment in technology for meeting new challenges.

### APTMA refutes claims of yarn shortage

All-Pakistan Textile Mills Association (APTMA) has challenged the value-added sector over its claim of yarn shortage and offered to arrange any quantity for those who do not get yarn in the open market by setting up facilitation counters.

APTMA Sindh-Balochistan Chairman Yasin Siddik, refuting the down-stream industry's claim of yarn shortage, said that the fact is that yarn is available in abundance, but owing to global shortage of cotton, prices have surged.

The value-added textile sector's demand of imposing ban on yarn export and said under free market mechanism, it will be harmful and may cause damage to spinning industry which suffered huge losses because of recession during the last two years. Normally there is a slow demand of cotton yarn during September-December, 2009 period, but owing to cotton shortage this year, prices of cotton yarn spurt to unprecedented level the world over.

This all happens under free market mechanism and it is always business decision which makes any business or industrial establishment to foresee such developments and use them to their advantage by taking correct and timely decisions.

### Farmers strongly react to proposed MoU with US firm

Farmers of Pakistan (FOP), Pakistan Kisan Board (PKB), Pakistan Kisan Committee, Anjuman Kashkaran and ActionAid have strongly reacted on the proposed memorandum of understanding (MoU) with a leading American biotechnology company for introducing insect-resistant Bt cotton and other advanced seed technologies in Pakistan.

They said that cotton is an important cash crop of Pakistan, which comprises two thirds of country's agricultural exports. Recently Pakistan's small farmers have expressed serious concerns on government's decision to allow Monsanto, (a multinational company) to start Bt cotton trial in Pakistan and probably sell their seed next year on commercial basis.

To facilitate the farmers to convey their concerns to the policy-makers, ActionAid organized two seminars and farmers' rallies in Hyderabad (Sindh) and

Multan (Southern Punjab) respectively. The farmers had criticized the government's decision, saying that while 77 million people in the country were food insecure, the government was offering undue incentives to Multinational Companies MNCs to grow transgenic crop.

An official of the Ministry of Food and Agriculture said that they are going to sign a Memorandum of Understanding (MoU) with a leading American biotechnology company for introducing insect-resistant Bt cotton and other advanced seed technologies in Pakistan.

Though Pakistan is the world's fourth-largest cotton producer, third largest raw cotton exporter and a leading yarn exporter, its yield per acre is at 13th position in the world. Owing to that, Pakistan imports around 2.0 million bales of cotton to meet growing demand of textile mills.

### APTMA Punjab and NWFP unite against duty on cotton yarn export

In an emergent meeting of the All Pakistan Textile Mills Association Punjab and NWFP, it was unanimously resolved to defend the move or measure against putting restriction or duty on the export of cotton yarn in all possible manners to defend viability of the industry.

The meeting further resolved that the spinning industry having \$7 billion annual turnover, the most important link of the textile value chain and the 3rd largest spinning industry in the world, is being threatened by certain vested interests, who are seeking uncalled intervention and are adamant to destroy 7.5 million acres of cotton farms, 10 million spindles and more than 1,000 ginning factories. All members of APTMA Punjab and NWFP unanimously decided, in order to protect the entire sectors, will protest against any move of quota imposition on yarn and any curb on export of cotton.

### Rebate on local supply of yarn urged

Adviser on Textile Dr Mirza Ikhtiar Baig has suggested that the government should consider allowing rebate on local supply of cotton yarn to ease supply to the value-added textile sector.

In a letter to Minister of Textile Industry Rana Farooq Saeed, he said that during his recent meetings with various textile bodies it was agreed that in order to encourage local supply of yarn a

rebate should be given on local sales.

He further said that funds allocated for drawback to large export houses scheme in the textile policy may be diverted towards giving rebate to the suppliers of yarn to the local industry. This incentive will encourage spinners to go for local supply than exports and will ensure higher supply of cotton yarn to domestic value-added textile industry.

In the last budget Rs. 2 billion was allocated under the scheme of large export houses for the current year and the same could be utilized for payment of rebate on local supply. He quoted the example of Bangladesh, which recently gave similar incentive on supply of raw material to the garment industry.

### PRGMEA demands ban on export of cotton yarn for six months

Bilal Mulla, Acting Chairman Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) has demanded immediately ban on export of cotton yarn for at least six months. Pakistan shares is only 1% on global garments business but yarn exports share is 30% which clearly indicates that Pakistan is exporting raw material in high volume whereas other countries are not exporting their raw material.

Despite dearth of foreign exchange in the country, Pakistan prefers to export raw cotton and raw cotton yarn, instead of value added finished products like apparel and home textile, which converts raw cotton of 68 cents a pound into value added finish goods worth \$6-\$7 a piece.

He expressed apprehension that the non availability of cotton yarn would have a serious impact on the textile sector besides decline in exports of the value added textile. This would also make it difficult to achieve ambitious textile export target of \$25 billion for 2014. ♦

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