

## Textile exports up 4.3% driven by cotton yarn

Pakistani textiles exports increased by 4.3% to \$6.731 billion during the first eight month of the current fiscal on the back of an unprecedented rise in the export of cotton yarn, according to the data of Federal Bureau of Statistics (FBS). This is around 54% of Pakistan's total exports recorded during July-February 2009-10.

Pakistan's total exports hit \$12.397 billion during the period under review against \$12.07 billion in the corresponding period of the last fiscal, showing an increase of 2.71%. Ministry of Textiles says that the low global cotton production, especially in China, triggered huge export of cotton yarn, sharply raising its prices in the domestic market. The global cotton stocks have been projected to decline by 13% in 2009-10, pushing its price to a maximum of 85 cents per pound from 59 cents.

Pakistan's yarn exports jumped by 38.5%, to 461.3 million kilograms, against last year's 333.08 million kilograms. However, this year yarn exports were made at a lower average price of \$2.07 a kilogram against \$2.22 per kg last year, but due to an increase in its volume, its export increased by 29.4%, to \$956.83 million, against last year's \$739.44 million.

The Ministry of Textile says that the country's value-added industry suffered double-blow of non-availability of yarn and its higher prices. The government, which imposed a cap of 35 million kilograms per month on yarn exports to ensure its availability in the local market, is being forced to review its decision because of the protest and shutter down by yarn manufacturers who lobby for free-market.

The Textile Ministry had also decided that the value-added yarn, fetching a price more than or equal to \$3.5 per kg, would be allowed over and above the quota to only the registered units. The All Pakistan Textiles Mills Association opposes this decision, calling it discriminatory.

According to the statistics divisions' data, exports of yarn other than cotton increased by 83.74% to \$31.126 million and synthetic fibre by 71.63% to \$283.66 million. Last year, in the same period, their export stood at \$16.94 million and \$165.27 million respectively. During the period under review, raw cotton export increased by 143.9% to \$189.55 million against \$77.72 million in same period last year.

## Import of textile machinery showed phenomenal growth in February 2010

The textile sector has restarted making investment to enhance its production capacity, which is evident from the phenomenal growth in the import of textile machinery in February over the same month of previous year.

Despite the fact that a gloomy scenario surrounded the textile sector, it did not give up and began making investment in the form of importing textile machinery. The import cost in February was \$23.10 million as against \$7.992 million in the same month of last fiscal year, posting almost 190% growths.

In July to February period of the current fiscal year, the import of textile machinery also recorded 3.11% growth to \$163.844 million as compared to \$158.897 million in the corresponding period of last year. According to the industry, the growth in the import of textile machinery has been recorded after a long spell of decline, which some years back was going up on the back of new investments being made in the textile units after the dismantle of quota system of textile exports.

## Availability of raw cotton and yarn - a major issue

Textile entrepreneurs from spinning to value chain are in a dilemma as even after cap on yarn export; the availability of yarn is still a major issue due to shortage of domestic cotton while import at \$0.80 a pound is not feasible.

Pakistan produced 12.636 million bales of cotton this year against the confirmed industry requirement of 16 million bales. Out of this 0.975 million bales have been exported, leaving the industry with 11.661 million bales.

All Pakistan Textile Mills Association confirmed that its members have up till now imported 0.563 million bales and the industry still needs 3.775 million bales to meet both the local and export demand.

Chairman APTMA (Punjab) Ejaz Gohar said importing cotton at \$0.80 per pound was not feasible as the exports at these rates might be possible but the local disposal of yarn at the rates demanded by the clothing sector was not possible.

He said by capping the yarn exports to 35,000 tonnes a month the government has interfered with the open market. The spinners cannot subsidize yarn for the clothing sector. If the government had sympathy with the value-added sector it should provide subsidy from its own resources.

Former Chairman Pakistan Hosiery Manufacturers Association, M. I. Khurram said the value-added clothing sector was trapped by some non-serious players in the field that had put the future of entire textile industry in jeopardy.

He said some clothing sector elements misguided the government that the spinners had engineered yarn rates. The eco-

nomics managers fell into the trap without realizing that the cotton rates in the country had increased from Rs 3,200 per maund in July 2009 to Rs 5,600 per maund now.

At the same time, the global cotton rates had reached a peak of 0.80 cent in March. He said the yarn prices were bound to go up on the basis of high cotton rates. The clothing sector should have negotiated higher rates of their apparel from the foreign buyers in the wake of worldwide increase in cotton and yarn rates.

## Revival of sick textile units

The Textile Ministry has taken up the issue of revival and restructuring of the sick textile units. The Ministry has asked the State Bank of Pakistan (SBP) to provide unit-wise data of non-performing loans of textile units and their current status to adopt a two-pronged strategy for revival of the sick units.

Sources said that those textile units which are suffering from general market slump, but are otherwise technically viable would be helped through transitional support in the form of loan restructuring, interest rate subsidy, relaxation of prudential regulations, additional financing investment tax credit etc.

Textile units lacking technical viability would be encouraged to merge with sound units through the vehicle of Resolution Trust Corporation (RTC), whose establishment is currently in hand with the Ministry of Finance. National Assembly standing committee on textiles in a recent meeting took the issue of sick units seriously and directed the Ministry to provide data relating to such units with the specific purpose of formulating remedial measures for their revival.

### Power loom association urges to protect rights of value added industry

Secretary General of All Pakistan Power looms Association (APLA) Khaliq He said that government should protect the rights of value added because APTMA was conspiring against the value added industry like power looms, hosiery, garments, fabrics, bed sheet and upholstery.

Khaliq Qandeel Ansari said that value added industry should strengthen the hands of Minister for Textile Industry, Rana Muhammad Farooq Saeed Khan who was fighting their case in power corridors.

He added that President Asif Ali Zardari and Prime Minister Syed Yousaf Raza Gilani should take measures to save the jobs of millions of people and protection of value added industry.

APLA leader said that government should protect the national interest and it should adopt a balanced policy with the consent of all stakeholders. The ministry is committed for balanced growth of the entire textiles value chain and the textile policy 2009-2014 is a testimony to this claim, where all sub-sectors have been included for the development of this vital sector of national economy.

### PTEA terms textile spinners' propaganda a conspiracy

Khurram Mukhtar Chairman PTEA said that spinning mills were established to provide raw material to the upstream value added industry and not to export the yarn to our rival countries at cheaper rates. He said that last year the average export price of cotton yarn was \$2.34 per kg, but this year the same is being dumped at \$1.90 per kg by the spinners.

In contrast to the export of yarn, the value added textile exporters were earning five times more foreign exchange. He said that the value-added sector has hugely suffered due to acute shortage of cotton yarn in domestic market as well as exorbitant price hike in the domestic market.

Giving example, he said the price of 20 single yarns, which was Rs 600 per kg in the market jumped to Rs 900 per kg. This unprecedented hike in prices of raw material made it impossible for the value added sector to export their goods at competitive prices in international markets.

PTEA Chairman further said all over the world the developed and the developing countries both protected their raw material for their value added industry and

no export of raw material was ever allowed to rival countries.

He apprehended that if the raw material was not provided to the value added industry millions of workers would deprive of their bread and their would be large scale joblessness resulting into disruption of industrial peace as well as law and order situation.

The Textiles Policy has also extended the benefit of reduced mark-up cost to the spinning sector, for which a sum of Rs.5 billion has been allocated.

Textile Ministry's statement said that above measures clearly indicated that an objective and unbiased view of the crisis was taken by the Ministry and mitigating measures were adopted to lessen the difficulty of the spinning sector as well.

### Growers urged to complete sowing of Bt cotton within April

Agriculture experts have urged growers to complete early sowing of Bt cotton within the current month and treat it with some suitable pesticides to control sucking pest attack.

The experts suggested Bt 121 as the best option for early sowing in March for its high yielding quality and advised the growers that growers should buy seed having above 60% germination strength.

The Bt seed should be purchased from the registered dealers of Punjab Seed Corporation and growers should get written assurances on the receipt regarding germination strength and efficacy of Bt seed. Since, the Bt gene does not control the sucking pests; growers should treat it with suitable pesticides before sowing so

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that the crop remains safe from sucking pests' attack for at least a month after the sowing. Bt seed also needs more water and fertilizer application and growers opting for such varieties should keep in mind the availability of these resources while planting such varieties of cotton.

### Ginners to suffer most due to cap on yarn exports

The ginning sector in the country will suffer if Ministry of Textile (MINTEX) fails to redress the demands of All Pakistan Textile Mills Association (APTMA), said Pakistan Cotton Ginners Association (PCGA) Chairman Rana Abdul Sattar.

He said the negation by MINTEX would hurt the ginners, spinners, mills and all stakeholders allied with the cotton industry, which constitutes around 66% of the country's exports.

The cotton sector was already facing worst institutional agriculture credit crunch due to non-professional approach of creditor agencies and planners in agriculture ministry, said Karachi Cotton Association member Shakeel Ahmad.

### Germany keen to expand ties with textile sector

Pakistan is considered a good market not only in Germany, but also in Europe and other parts of the world. However, it is very unfortunate that the country suffers from a very negative image. These views were expressed by Werner Lindig, Director Training & Development Centers of the Bavarian Employers Association (bfzgGmbH) at a get-together hosted at the German Consulate.

He said this was his first visit to Pakistan and he had already formed a favorable impression. The objective of his visit was to intensify contacts with the Pakistan textile industry and to help it to do quality business while also taking care of the environment.

He said that he was specifically here to get to know all the associations that were involved in the partnership project between bfzgGmbH and the participating five association of the Pakistan textile sector. The objective of this project is to provide vocational training in Germany to the textile industries of countries such as Pakistan that will help these countries to improve the qualities of their textile products as well as ensure the manufacturing processes involved are environment friendly.

### Spinners to get refunds on mark-up rates

Textile spinners can now get 5% refund on the interest rate amount, which the commercial banks charge on loans extended from September 2009 to February 2010.

The value-added textile makers, who have borrowed under the Export Refinance Schemes during the same period of six months, can also get refunds of 2.5% of the interest rate. This subsidy, which can be collected from branches of commercial banks, is part of initiatives taken under the Textile Policy, announced last September to boost exports.

The refunds of interest rate charged by commercial banks will be released after every six months. However, the benefit is subject to funds released by government.

Spinners have long complained about the high finance cost because of their exclusion from refinance schemes of SBP. The move is aimed at addressing that concern. Refunds, which basically bring down the interest cost, for the value-added textile industry is a cushion against internal factors like power crisis that has badly affected production.

### SBP cuts mark-up on textile loans

The State Bank has decided to provide cheaper money to the textile sector as being extended to exporters under Export Finance Scheme (EFS).

The SBP announced a mechanism in consultation with the Ministry of Textile Industry, under which the eligible borrowers of the textile sector will be provided mark-up rate facility under the SBP EFS and the mark-up rate support against long-term loans availed from banks and development financial institutions (DFIs).

According to two separate circulars the export finance mark-up rate facility will be admissible to the extent of 2.5% per annum on the outstanding finance facility to textile industry under SBP's EFS. Whereas, the maximum mark-up rate support will be admissible to the extent of 5% p.a. or the difference in mark-up rate between floating rate loan and Long Term Financing Facility (LTFF) rate, whichever is lower.

### Value-added sector fail to resolve yarn-quota issue

Despite efforts by the Minister of Textiles and the Punjab Governor, a marathon eight-hour-long meeting between representatives of the All Pakistan Textile Mills Association (APTMA) and the value-added sector failed to resolve the yarn export quota issue.

Punjab Governor Salman Taseer, who had separate meetings with APTMA representatives and officials of the Ministry of Textiles, had invited value-added sector's representatives for their input on the issue.

It was learnt that APTMA insisted that the principle of free-market economy should not be compromised and there should be no quota restriction on yarn exports. The value-added sector representatives praised the Ministry of Textiles for imposing the quota and insisted that it should stay.

The governor and the Minister of Textiles pleaded with both groups to arrive at a compromise. APTMA then expressed its willingness to agree at the earlier yarn export quota of 50,000 tonnes, which was imposed in January this year. The value-added sector representatives, however, said they would allow an increase of 2,000 tonnes a month to 37,000 tonnes.

The ministry agreed to reduce the minimum export price of quota-free yarn from \$3.50 a kg to \$3.25 but APTMA wanted it to be even lower. The meeting ended without agreement on this issue as well.

### Genuine problems of the textile sector

Federal Minister for Textile Industry Rana Muhammad Farooq Saeed Khan has expressed resolve that all genuine problems of the textile sector would be solved on priority basis as the government is serious in mitigating the sufferings of all the stakeholders.

He said the government is fully committed to facilitate the business community particularly the textile industry so as to increase the exports of this sector. He further said that the textile policy represents that the Ministry has a clear vision to enhance the capabilities of textile sector so that our products could get more access in the European markets.

He pointed that the government had to face multifarious problems like load-shedding, terrorism and extremism which jolted the country's economy during the past two years. There was an economic crunch and financial recession throughout the world and being a part of the world economy, our country also suffered but we are optimistic to steer the country out of this crisis.

### Value-addition key to stabilize domestic industry and textile exports

Strengthening domestic commerce through introduction of high value added textile products would go a long way in stabilizing the local textile industry that currently is totally dependent on exports for its survival, said Advisor to the Prime Minister on Textiles, Dr Mirza Ikhtiar Baig at the launch of JOFA Premium Lawn Collection.

He said that Pakistan has entered the field of quality fabric designing of global quality with the launch of such high quality textile products. Currently 80% of the textiles produced in Pakistan are exported as relatively low value added products.

He added that markets are flooded with imported or smuggled ladies fabric because the local industry is slow to introduce quality and innovative fabric designs. The quality local fabrics and innovative designs would discourage the use of foreign fabrics.

Baig further said value innovative added products will strengthen the whole textile industry creating more job opportunities and strengthening it to withstand pressure when the export markets are disturbed.

### Pakistan to include textile in ROZs regime

Pakistan has decided to seek from US some changes in the establishment of proposed Reconstruction of Opportunity Zones (ROZs) at forthcoming US-Pak strategic dialogue. Pakistan would seek the inclusion of textile products to be manufactured by the ROZs for zero rate import duty. In earlier talks the US administration had refused to extend this facility to Pakistan. In addition, Pakistan would seek increase in demographic coverage of the ROZs and changes in rules of origin.

In the already proposed draft, US want the establishment of ROZs at Waziristan, FATA and border areas with Afghanistan. Since the war against militants is underway in these areas and no one knows for how long this war will continue, so Islamabad has decided to include the other parts of the country for the establishment of ROZs.

In proposed ROZs, the products will be manufactured will have US market access at zero import duty. Pakistan has proposed the under privileged areas of Balochistan, Punjab and earthquake hit areas of Northern Areas for proposed ROZs. Pakistan would also seek inclusion of raw materials from other parts of the country for products to be prepared at ROZs.

### Government determined to resolve problems of textile industry

Federal Commerce Minister Makhdoom Amin Fahim, said that the government is committed to resolve all problems being faced by the textile industry. He said that the power crisis was a major issue not only for the textile industry but also for all sectors of national economy.

Fahim said that the Lahore Expo Centre was a project worth Rs 3.5 billion, which would be made operational within next couple of months. Pakistan was a front line state in the war against terrorism, and he demanded of the international community including America, European Union and Middle East to give Pakistani products access to the tax-free markets.

He said that USA and EU promised to support Pakistani industry by giving access to the free markets. Terrorism and bomb blasts are major hurdles for getting foreign investment. Even the insurance companies are hesitant to provide cover to the investors and we offered the foreigners to provide insurance cover for their traveling and investments.

Textile industry performs responsibilities under rules of business Ministry of Textile Industry has clarified that it is performing its responsibilities under the rules of business with full objectivity and sincerity for the promotion and development of the textiles sector in the country. The most significant testimony to impeccable credentials of the Ministry is the formulation of the Textiles Policy 2009-14, which was approved by the Cabinet and is presently under implementation.

He said that while formulating the policy, the Ministry consulted the entire value-chain of the textiles sector and all the representative associations were taken into confidence in finalizing the recommendations. This consultative process was not restricted to policy formulation only but in almost all difficulties faced by the industry, the Ministry has adopted an approach that depends on industry's involvement.

From load-management of gas and electricity to handling of yarn crisis, the Ministry has played a positive and active role in resolving industry's problems walking shoulder to shoulder with all concerned stakeholders of the textile sector. It clarified that from the point the yarn crisis erupted in early September, 2009, the Ministry has been engaged with all the stakeholders working to improve the domestic availability of yarn as local industry that comprises a large number of small units as well as employees nearly 80% of all workers of the textiles sector was facing widespread closure.

Besides, it is the continuing decline seriously threatened the overall exports performance of the country.

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### Pakistan eyeing \$ 10 billion textile exports

The government was targeting over \$ 10 billion of exports of textiles and garments made-ups in the successive years, said Federal Advisor on Textile, Dr. Mirza Ikhtiar Baig. He said that textile and garment are two of Pakistan' principal industries contributing more than 67% to total export earnings, accounting for around 46% of total manufacturing and employing over 38% of the manufacturing labour force.

To support investment for upgrading textiles machinery and technology, the government has issued Technology Up-gradation Support' Order 2010 and has allocated Rs 40 billion towards various incentives allowed in the new Textile Policy 2009-14. These included the opening of export marketing offices and warehouses abroad, 50% reimbursement of 3 foreign staff, 50% payment of one year rental and 50% subsidy for the acquisitions of brands and franchises.◆