Editor's Page

Raw material supply crisis may hit hard all textile sectors

The government's decision to impose export quota from 50,000 tonnes to 35,000 tonnes on yarn has discouraged most of the spinning industry from the import of expensive cotton, making them unable to produce quality yarn. On the other hand India has banned export of cotton to save its own textile industry, the Pak exporters got confused and indulged in panic buying of cotton from other countries to meet the export commitments. After the disappointment due to Indian move, and expected import of 0.2 million bales of cotton from India was in doldrums, the Pak importers approached many countries to purchase cotton to meet their short-term requirements.

India being at the border of Pakistan was a major source of cotton imports for Pakistan on competitive price and fast delivery reasons, but recently the Indian government has banned all cotton export sales with immediate effect, revalidate all unshipped contracts on pro-rata performance basis and have withdrawn the facility of 7.6% of Duty Entitlement Pass Book (DEPB) of the FOB value on export of yarn.

As a result of imports of 0.2 million bales of cotton from Western Africa, Central Asian States and USA would cost the country nearly US$70 million.

As per Indian Cotton Advisory Board cotton production in 2009-10 season has been estimated at 29.2 million 170-Kg bales, while Cotton Association of India place cotton output at over 30 million 170-Kg bales and their domestic requirements at 25.0 million bales.

The Cotton Association of India estimates a surplus of 13.3 million bales. India is reported to have committed in exports some 8.0 million bales and have shipped 5.5 million bales, leaving balance shipments of 2.5 million bales which would likely to be shipped on pro-rata performance of the shippers.

Major buyers of Indian cotton are China, Bangladesh, Pakistan and Hong Kong. Indian ban on export of cotton and yarn may adversely affect a number of merchants, but would be beneficial for domestic larger spinning and weaving / knitting sectors.

Cotton prices have travelled a long distance from Rs 3,300 to 6,700 per maund, it may go one step further to the level of Rs 7,000 and even more as there is two months period to have new crop cotton.

Cotton output in Pakistan, the world's fourth-largest producer, reached 12.8 million bales in the current year against a target of 12.1 million bales on improved yield. Cotton and textiles account for about 60% of Pakistan's exports. Domestic consumption is expected to be 16 million bales in the season that started in July, in line with recent years.

There were 1,221 ginning units, featuring an installed capacity of 20 million bales cotton. The spinning sector comprised 408 spinning units, with an installed capacity of 198,143 rotors; and 50 composite units having installed capacity of 11.83 million spindles. The country's 10 man-made fibre units had an installed capacity of 660,000 tonnes.

It is expected that the country may face yarn crisis in the next three months. The Pakistani value-added sector is in a position to grab this opportunity, but shortage of yarn has deprived them of this chance. All leading value-added exporters supported APTMA on the yarn issue because they knew that after imposition of quota on yarn exports the spinners would be unable to import cotton, which was facing a shortfall of over 3.3 million bales in the beginning, but now it has shot up to over 4 million tonnes, following export of raw cotton.◆