India cancels export orders for 200,000 bales

Pakistan cotton importers are considering going for arbitration service of International Cotton Association (ICA) on cancellation of 200,000 cotton bales orders by Indian exporters. Indian exporters cancelled the orders by Pakistani importers without giving any valid reason, causing a huge financial loss to the importers, said Karachi Cotton Association (KCA) member Shakeel Ahmad.

He said at the behest of Gujrat exporters, the Indian government had imposed an export duty on the produce and also raised export price to Rs 6,200 per 100 kilogram's in Pakistani rupee. Pakistan's textile sector would have to bear a burden of around $900 million for import of cotton to fulfill its immediate requirements of the produce from other sources.

Indian cotton prices increased around 27% and cancellation of Pakistani orders on ground of difference in import price caused increase in domestic lint prices. Indian traders have a habit of increasing their rates in line with the fluctuation in international prices even after an agreement is signed for shipment of the consignment.

Pakistan has so far imported around one million cotton bales from India at an average import price of Rs 5,800 per 100 kilogram's while remaining orders for 200,000 bales were cancelled.

Textile exports grow by 7.04%

Despite challenges, the country's textile sector has been showing signs of recovery as the exports registered a growth of 7.04% during the first ten months of current fiscal year. The country's textile exports reached to $8.461 billion during July-April (2009-10) from $7.905 billion during July-April (2008-09), according to the data of Federal Bureau of Statistics (FBS).

The major contributors in the overall textile exports are mainly raw materials, as the exports of raw cotton surged by 140.19% during the period under review. Similarly, the exports of cotton yarn increased by 32.13% whereas the exports of yarn (other than cotton yarn) surged by 103.53%. During the period under review, exports of towels increased by 4.83% , tents, canvas and tarpaulin by 5.95%, readymade garments by 5.21%, art, silk and synthetic textile by 66.94%, made-up articles (excluding towels, bead wear) by 10.79% whereas the exports of other textile products increased by 31.27%.

The items that registered negative growth in exports during the period included cotton cloth, exports of which fell by 10.69%. Exports of cotton (carded or combed) decreased by 52.06%, knitwear by 0.7% and bed wear by 0.61%.

Bailout package for textile sector demanded

Federal Minister for Textile Industry Rana Farooq Saeed Khan strongly pleaded a loan rescheduling bailout package for the textile sector and demanded the National Assembly Standing Committee on Textile to invite the Governor State Bank of Pakistan and Presidents of all the commercial banks so that rescheduling of loans of the textile sector could be taken up with them to bail textile sector out of the current financial crisis.

The Minister also informed the committee that proposal to allow hedging of cotton is with the Ministry and final decision will be taken after consulting all stakeholders.

The value-added textile sector which was represented by Sohail Pasha, Rafiq Habib Godil and others proposed to the committee to impose a complete ban on the export of cotton and yarn from the country or increase the rate of regulatory duty from 15% to 30% and duration of this duty should be at least one year instead of just 60 days.

They also proposed to the committee that yarn should be declared as raw material, only yarn manufacturers should be allowed to export yarn and impose ban on the export of yarn by the commercial exporters. They also demanded the committee that law should be amended and it should be made mandatory for the spinners not to keep stock of cotton for more than three months period.

Activities of the spinning sector should be monitored so that no one is able to hoard the excess cotton or yarn with them. They also demanded the government to allow hedging of yarn so that a predictable availability of yarn is ensured to meet the export orders.

On the other hand All Pakistan Textile Mills Association representative Sheikh M Akbar and representative from textile spinning sector Anwar Ahmed TATA, and Karachi Cotton Association strongly opposed the imposition of 15% regulatory duty on the export of yarn from the country and demanded the government to continue the policy of free import and export of cotton as well as cotton yarn to allow growers to get international price of their commodity.

Representative from Karachi Cotton Association Sohail Nasim also demanded the committee to recommend the government to continue the policy of free import and export of yarn and cotton. He also demanded the textile ministry to allow hedging of cotton in the country.

Duty on yarn exports to cause Rs20 billion loss

Chairman of All Pakistan Textile Mills Association (APTMA) Punjab Gohar Ijaz said the thread-making companies will be burdened with an additional cumbersome Rs20 billion with 15% duty on the yarn exports.

He said the promulgation of the duty on the yarn exports will ensue in the loss of Rs4 billion and a loss worth Rs16 billion would be incurred by reducing its price at local level.

The yarn's monthly production is 240,000 tonnes and its consumption stands at 180,000 tonne; thus, an average 56,000 out of excess 60,000 tonnes of yarn is being exported every month.

The APTMA official said why not even a tonne of yarn was imported if the country has run short of yarn, adding in contrast, an average 55,000 tonnes of yarn was exported during the last five years. The government annually earns $1.5 billion on yarn exports.

Ijaz further maintained that the export orders have stopped short spurred by the competition, as 15% duty is transferred to the buyer at the international level.

Levy of 15% duty on export of yarn unjust

All Pakistan Textile Mills Association (APTMA), Head South Punjab Khawaja Anis said spinners produced 240,000 tonnes yarn every day in the country against domestic consumption of 180,000 tonnes and the surplus production was being exported to earn precious foreign exchange. He said the levy of 15% duty on export of yarn would leave exporters unable to meet their commitments earlier with foreign buyers and raise the domestic stock of yarn.

He said the measure would only benefit other yarn exporting countries and local exporters would lose their clients. The value-added sector's problem is not the high price of yarn or its shortage but the shortage of electricity. He claimed that those running modern power looms had not resorted to protests and it were only those operating old power looms.

The textile sector is the country's biggest industrial sector that provides not only means of earning to skilled and unskilled workers but also contributes to national economic development. He expressed fears that any negative impact on textile sector will also hurt the banking sector besides ginners, cotton growers, skilled and unskilled workers. Spinners spent billions of rupees to install modern machinery in their units to manufacture export quality yarn. He said Pakistan's domestic utilisation of cotton stood at 15 million bales and 3.0 million bales were imported annually to meet the requirement.

Spinners protest against duty on yarn export

Spinners and a huge number of textile workers protested on against 15% regulatory duty on yarn export, demanding the government to immediately reverse its decision. The protesting industrialists and workers holding anti-regulatory duty placards and banners came from Gadoon Industrial Estate. They shouted slogans against the regulatory duty on export of yarn and demanded it to be withdrawn immediately.

All Pakistan Textile Mills Association (APTMA) Khyber Pakhtunkhwa Chairman Afan Aziz said the decision would damage the industry and the yarn export worth Rs 10 billion per month across the country. He demanded the government to immediately reverse its decision or the protest would continue until spinners' demand was met.

Afan further said the imposition of regulatory duty on yarn export would deprive around 60,000 textile workers of jobs. Production of cotton bales was 12.7 million while the consumption was 15.5 million. The total production of cotton yarn was 240,000 tonnes while the demand was 180,000 tonnes. The 15% regulatory duty on the export of cotton yarn had political motives. He said 35% of spinning workers might lose their jobs due to the regulatory duty step in Khyber Pakhtunkhwa where the industry was already suffering and struggling owing to terrorism and insurgency.

Government urged to ensure regular yarn supply to market

Value-added Textile Forum (VTF) Convener Muhammad Aasim Shah said that the government should ensure regular supply of cotton yarn in the market to run the value-added industry. He said that there was no justification for the strike by APTMA and we have decided to stage protest rallies and demonstrations to stress the demand for imposition of 30% regulatory duty on export of cotton yarn from the country.

Imposition of 15% regulatory duty on export of cotton yarn by the government was considered to be insufficient and half-hearted measure. He rejected the 15% regulatory duty announced by the government and demanded to enhance this duty to 30%.

The government should consider cotton yarn as basic and essential raw material for the value-added textile industry and should impose total ban on export of this basic and essential raw material for the value-added sector.

This was imperative to enable the value-added sector to earn maximum foreign exchange for the country. Elaborating their argument they stated that with the export of 1 kilogram of cotton yarn foreign exchange of 1 dollar is earned whereas with the export of the same quantity of yarn in shape of value-added textile finished goods and readymade garments 8 times more foreign exchange is earned.

It was most unfair and unjust to give preference to US $1 earning industry over the US $8 earning industry. He said that value-added sector was also most labour-intensive sector and was presently providing employment to more than 18 million workforce in the country whereas the 400 spinning mills were providing jobs to a few thousand workers only.

Major value-added manufacturers post lucrative profits in 2009-10

Major value-added manufacturers have posted lucrative profits in 2009-10 comparing with 2008-09 and prospects of further profitability are high with topsy-turvy situation with value-added sector in Bangladesh.

According to the data available Liberty Mills Ltd, a processing unit, has earned 10.7% profit, followed by 9.0% by Artistic Denim Ltd, 7.6% by Amtex, a bed wear and processing unit, 5.4% by Masood Textile Mills Ltd, a composite knitwear unit, 5.4% by Al-Abid Silk Mills Ltd, 3.3% by Gul Ahmed, a composite unit, 2.8% by Kohinoor Textile Mills Ltd, 1.5% by Towellers Ltd, and 0.7% by Yousaf Weaving Mills Ltd.

However, Chenab Ltd has posted -8.3% loss due to multiple factors including financial and energy issues. It may be noted that the value-added sector was crying for restraining the exports of cotton yarn from the country on the pretext that they were booking heavy losses due to exorbitant cotton yarn prices.

According to the market observers, the value-added sector was trapped to its myopic business approach, as it booked exceptional orders from across the world when cotton prices were spiralling up. The value-added sector, on the other hand, was pinning hopes on the perception that the cotton prices would not cross Rs 4000/maund in the international market, which have now surged to Rs 7000/maund at present. Besides, the value-added manufacturers were also expecting an appreciation in dollar value to the extent of Rs 100/dollar, which again proved a wrong assessment. Eventually, the value-added sector business feasibility fell like ninepins.

PTEA demand immediate cap on cotton yarn export

The Pakistan Textile Exporters Association (PTEA) has demanded of the government to take appropriate measures for capping the export of cotton yarn, otherwise value added textile sector will be constrained to close its units which will result in massive unemployment in the country.

Khurram Mukhtar, Chairman of Pakistan Textile Exporters Association (PTEA) said unabated export of cotton yarn had a negative impact on value added exports as the cloth exports have declined by 10.69% in ten- month period from July to April during the current fiscal year.

They said that cloth export sector is a major forex earning sector to the tune of $2 billion plus per year, but due to unrestrained export of yarn, the cloth exports have declined considerably.

Quoting figures, they said that export of cloth in ten month period (July-April) in 2008-09 were to the tune of US $1641 million which in same period of 2009-10 have come down to US $1465 million.

Similarly, the export of cloth in April 2010 was down by US $550 million as compared to cloth exports during March 2010. This negative trend in cloth export is due mainly to free export of cotton yarn from the country. The situation has further aggravated due to unbridled export of cotton from the country.

Government asked to ban cotton, yarn export

The government should impose a ban on the export of cotton and yarn immediately, as it was ruining the value added textile sector of the country, said Convener of the Value-Added Textile Forum Jawaid Bilwani.

He said the value-added textile sector had generated 42% employment in Pakistan including 15% for women.

According to the Pakistan Economic Survey, the spinning sector generates 280,000 jobs while the value-added textile sector generates 10 million jobs in the country. India has 30% surplus cotton but Pakistan faces a 25% deficit, and almost 70% of textile units in Pakistan were value-added textile units.

About 50% mills have closed down due to the shortage of cotton and yarn. He said advance payments were being made for purchasing yarn, but the government was yet to fulfill the demands of the value-added textile sector. He alleged that the spinning sector was destroying textile sector owing to the export of raw cotton and yarn.

Pakistan, the fourth largest cotton producing country, and the 14 biggest value-added textile industry of the world, was facing a severe crisis. Pakistan would face a loss Rs.22 million per day owing to the closure of value-added units. The textile minister to impose a ban on the export of yarn; otherwise there would be an increase in downsizing, unemployment and inflation.

He said 400 industries of value added textile have been shifted to other countries such as Bangladesh, owing to load shedding and 200 units have been permanently closed down. It was unfortunate that due to the policies of the government, Bangladesh was purchasing raw cotton from Pakistan and exporting value-added products to fetch competitive prices from the international market.

Value-added sector: VAT will block working capital

Pakistan Apparel Forum (PAF) has expressed concern over proposed Value Added Tax (VAT), keeping in view past experience of blockage of sales tax refunds, increasing cost of doing business and financial crunch within the textile industry. Chairman Pakistan Apparel Forum (PAF), Javed Bilwani said that the VAT, as announced by the then Finance Minister to be implemented from July 1, 2010 would stuck the working capital of the value-added sector.

If the industry was unable to obtain the pending sales tax refunds under the Sales Tax Act, 1990, how the government would ensure speedy payment of sales tax refunds under the VAT regime from next fiscal. All of the funds have been blocked due to non-payment of subsidies, R and D and sales tax refunds. If the government failed in providing the stuck up amount in these heads, how the FIR would ensure to pay the sales tax refund under the VAT.

Bilwani further said that the Ministry of Textile had issued three notifications for the implementation of the Policy, according to which, textile manufacturers would receive 3% drawback on garments,2% on home textile and 1% on fabrics.

To acquire the facility all the sectors filed their documents and other requirements with the State Bank through their respective Association. However, no action has been taken so far on these applications. The textile industry has been facing a financial crunch and imposition of VAT would further result in the closure of the whole sector.

APTMA pleads government to help salvage cotton textile sector

Owing to exorbitant international cotton prices and the unreasonable policies laid down by the Ministry of Textile Industry, the textile industries will be unable to acquire new cotton crop from cultivators, said Gohar Ejaz, Chairman, All Pakistan Textile Mills Association (APTMA-Punjab).

APTMA Head appealed, to the President and Prime Minister to look in to the matter and thereby, prevent the Ministry of Textile from driving the industry towards a dead end. This will help safeguard the farmers, textile industry workforce and also help retain valuable foreign exchange.

With prices of cotton in international markets touching $0.95 per pound, the spinning industry is unable to spin and sell yarn to the domestic auxiliary industry at subsidized prices.

He further said that, currently at a time of harvest when new crops will start arriving in the market, almost 70% of the $7 billion worth textile industry is nearing a downfall. The prime sufferers in such a case will then be the cotton. He

Regarding the energy crisis faced by the industry he said that around 100 megawatt HFO based generation capacity is lying idle with textile mills and is available to supply electricity on LESCO network. This idle capacity should be utilised to ensure availability of smooth electricity supply to textile mills in the vicinity for running their industry operations.

In a letter to the Minister for water and Power Raja Pervaiz Ashraf Gohar Ejaz said this favour would greatly help industry to flourish.

He pointed out that the textile industry has been subjected to one-day gas supply holiday diverted to generate electricity by Genco and IPPs to overcome the prevailing shortage of electricity. In lieu of one day gas supply holiday, he said, the textile industry has requested for uninterrupted supply of electricity to the industry observing one day gas holiday region-wise from four hours mandatory load shedding. PEPCO will be able to shortly extend this relief to save production and employment losses in the larger interest of the industry and economy.

Iceland volcanic ash hits textile production

Global aviation chaos in the wake of volcanic dust over the European continent has interrupted the country's textile production for at least three weeks, while exporters faced travelling hurdles to finalise deals with foreign buyers.

According to Chiefs of the textile apparel sector, there were many complaints, which their associations have received about the exporters' flights cancellation to Europe and transatlantic destinations to conclude their business deals.

Chairman Pakistan Readymade Garments Manufacturers and Exporters Association (Prgmea), Mohsin Ayub Mirza said that there were scores of samples of different textile items, which had been sent to European and the US buyers could not reach due to aviation disorder.

He said that the production process would not start until the exporters receive the final nod from buyers. He added that the cost of production was also feared to mount because of the flights rescheduling with inflated fares. The global aviation disorder has drastically limited the local exporters travelling to and within Europe as well as to the Northern America.

Mohsin said that the chaotic continent had also struck delays to the textile sample shipments of other business rival countries like Bangladesh, Cambodia, China, India and other countries.

Textile units urged to get ISO registration

Anees Khawaja, Chairman of All Pakistan Bed Sheet & Upholstery Manufacturers Association (APBUMA), has said that textile manufacturers should get themselves registered with the International Standards Organisation to get access to world markets.

Delivering his speech at a seminar on 'Selection of Dyestuff Textile units urged cording to Buyers' Requirements', jointly organised by APBUMA TD and AP and, he said that Pakistan's economy, particularly textile industry and services, is increasingly exposed to various challenges.

He said that compliance to international and national standards promotes enterprise efficiency and competitiveness through international trade, protects consumers' rights of health and safety and, in turn, leads to socio-economic development of economy. Non-compliance to these requirements often results in loss of business. The process of compliance, requirements and institutional support (capacity building, financial assistance, consultancy, certification and accreditation, etc) are available in Pakistan.

Compliance to international standards on quality, environment and social accountability has been universally recognised as one of the key strategic elements of product competitiveness in both domestic and international markets, along with price and delivery factors.

He said that quality is the prerequisite for successful market access and for achieving continued customer satisfaction. The Standards and Quality Management program address the quality related needs of exporters and concentrate on institutional and capacity development in the export quality management.

Textile business became complicated due to environmental situation and health hazards and we should manufacture the textile products like cloth, garments even for sensitive people and we should not use such colour/dyes, chemicals which are injurious to human health. He stressed the need for adopting modern technology to meet the requirements of foreign buyers.

Government withdrawing concessions to Pure Terephthalic Acid

The government is withdrawing concessions available to Pure Terephthalic Acid (PTA) to avoid imposition of provisional countervailing duty on the complaint of M/s Plastic Europe.

ICI, PTA plant was provided tariff protection of 15% in 1998 through a sovereign guarantee by the government for a period of ten years. In June 2008, the tariff on PTA import was reduced to 7.5%.

Dr. Mirza Ikhtiar Baig.

In order to offset the duty impact on the polyester value chain, the government decided to zero rate the PTA duty for the user industries so that the downstream value added exports would not suffer.

The zero rating was implemented through refund of the duties paid on PTA inputs which stood at 15% till June 2008 and 7.5% thereafter. This arrangement has continued during the current financial year (2009-10).

M/S Plastics Europe, a manufacturer of Polyethylene Terephthalate (PET) in Europe lodged a complaint with the European Commission (EC) alleging injurious subsidised imports of PET from three countries, namely Pakistan, Iran and UAE.

Pakistan's total exports of PET were $174 million out of which $111 million were exported to the EU. The EU, thereafter, issued a notice for initiation of investigations under provisions of the WTO Agreement on Subsidies and Countervailing Measures (ASCM).

The Ministry of Commerce (MoC) and NTC have retained services of a Brussels-based law firm to prepare and defend the case. During initial consultations, the lawyers have indicated that the SRO giving effect to PTA magnetisation may pose problems and the EU may impose Countervailing Duty (CVD) up to 2.5% of the import price.

According to Ministry of Textile Industry, this action needs to be taken to avoid imposition of provisional countervailing duty, as indicated in the record minutes of the "inter-ministerial meeting on anti-dumping and anti-subsidy investigations on Polyethylene Terephthalate (PET)" by EC as intimated by Ministry of Commerce in its OM No 2(2).2009 dated 16th April, 2010. Tariff structure for the PTA and down stream chain is also being finalised on a cascade scale in consultation with the stakeholders and Ministries concerned.

PSYMA delegation meets Federal Advisor Textiles

A 16 members delegation of Pakistan Silk Yarn Merchants Association (PSYMA) met Federal Advisor on Textiles, Dr Mirza Ikhtiar Baig and discussed withdrawal of anti-dumping and custom duty on polyester yarn to improve the supply of man-made yarn. The members apprised Dr Baig that only two to three local companies are manufacturing polyester yarn in Pakistan and to have the monopoly they have managed anti-dumping and custom duty ranging from 3% to 21% on the imports of polyester yarn mainly from Thailand and Korea. This has affected the growth in the use of polyester yarn in the value added textile sector and heavy reliance on 100% cotton yarn.

The members also attributed present yarn crises due to government's restricting import of polyester yarn for value added sector by imposing higher tariff. Federal Advisor Textile, Dr Baig explained PSYMA that in all the competing countries use of polyester yarn and cotton yarn is equal, whereas in our country, use of polyester yarn is only 23% and the rest 77% is on cotton yarn. Dr Baig informed that he has already taken this matter with the Federal Minister and Secretary Commerce and Chairman and Member Customs FIR and recommended them them to withdraw anti-dumping and custom duty on import of polyester yarn to bridge the gap of demand and supply of yarn in the country. Dr Baig advised PSYMA members to apply for review petition to remove anti-dumping and custom duty on import of polyester yarn.

PSYMA delegation thanked Dr Baig for his efforts for the textile industry of Pakistan. Prominent members attended the meeting; Abdullah Hameed of Habib Silk, Hanif Lakhany of Qasimi Industries, Anwer Aziz of Iqbal Silk Mills, Nasir Hayat Magoon of Al Riaz, Shafquat Amin of Sohni Weaving and Mohammad Tanveer of Nigar Fabrics.◆