

Cotton crop estimates cut to 12.22 million bales

The government assessed that this year Pakistan will harvest 12.22 million bales of cotton with 9.75 million bales from Punjab and 2.47 million bales from Sindh.

Secretary Ministry of Textile Industry Shahid Rashid expects 15 million bales of cotton, but due to heavy rains and floods which affected three-fourths of Sindh, cotton output is likely to fall below that earlier estimate.

Khyber Pakhtoonkhwa is emerging as a major cotton growing region as a substantial increase in the cotton growing area in Dera Ismail Khan. Cotton has also been planted on 100 acres of land in District Sawabi this year. They expected further increase in cotton cultivation in the province after the completion of Gomal Zam project, which would irrigate 163,000 acres of land.

The KP government representative asked All Pakistan Textiles Mills Association (APTMA) to provide incentives to the poor growers in the province for enhancing cotton production.

APTMA said that textile mills were ready to provide free of cost seeds to the growers of that area. The crop was good; the incidence of cotton leaf curl virus (CLCV) disease and pest attack was low compared with previous year, but rains and floods in Sindh damaged more than 75% of cotton of the province. Consistent rains in Punjab resulted in shedding of flowers and immature fruiting bodies on an area of about 12,000 hectares. The cotton sowing in Punjab was 12.25% higher than the target. Sindh recorded a marginal increase of 0.67%.

Increased power tariff creates more issues

Central Chairman of All Pakistan Textile Mills Association (APTMA) Mohsin Aziz said 36% increase in the electricity charges will leave labour-intensive textile industry uncompetitive. The negative industrial growth will result in reduced output, missed export and revenue collection targets and unemployment.

He said that continuous upward revision in the tariff will not resolve power crisis but it will devastate masses and prove fatal for the textile industry which consumes around 30% of the all available electricity.

Refund old age benefits to registered textile exporters

The government has decided to refund old age benefit and social security money to the registered textile exporters to facilitate and promote textile exports of the country, said Shahid Rashid, Secretary Textile Industry.

Addressing a meeting of textile exporters at Pakistan Textile Exporters Association, he said that the Government was fully aware of the problems and importance of the textile industry. The government realized that textile sector is the biggest source of forex earning and also major source of employment in the country. Survival of the country and national economy depends upon the running of the wheels of textile industry. He regretted that due to funding gap, the Textile Policy could not be implemented in an effective manner.

Textile Policy was aimed at incorporation of the strategies that were essential to address the challenges confronting textile sector on sustainable basis besides, meeting the expectations of the industry. He welcomed the reduction in bank mark-up rate by 150 basis points to 12% and expressed hope that this move of State Bank of Pakistan would lower the cost of credit for the private sector in Pakistan.

He further said that the Ministry of Finance has been approached to release funds for the textile sector against duty drawback and other heads. An amount of Rs24 billions of textile sector has remained stuck up on account of duty drawback and efforts were being made to get at least apart of amount released from the Ministry of Finance so that textile sector could be given some relief.

Raw cotton exports agreement with Turkey

The Chairman of Pakistan Cotton Ginners Association (PCGA), Amanullah Qureshi, has welcomed an agreement signed between a Turkish member of Board Agaglu, Atif Saeed Dada, and Federal Minister for Professional and Technical Training, Riaz Pirzada, for cotton exports to Turkey. This agreement would help in stabilising prices of cotton in Pakistan, because Turkey requires at least 5 million bales cotton.

He said that Pakistan itself is a consumer of cotton, "but we would prefer Turkey, for exporting our surplus cotton, over other neighbouring states". He said

that Turkey enjoys excellent relations in areas of trade, economy, defence, education, investment, energy and human resource development. Turkish people had donated food and financial assistance for the sufferers of quake and floods and Turkey is constructing hundreds of homes in southern Punjab for rehabilitation of flood stricken people.

Turkish Prime Minister Tayyip Urdgan also desires to settle their trade agreements with Pakistan government. In the first step, feasibility and capacity of Pakistan to export its cotton would be checked and from upcoming year cotton would be exported to Turkey. It is hoped that up to 5 million bales of cotton would be exported to Turkey.

Amanullah said that with this agreement, in the upcoming months the price of cotton is expected to increase and thus our farmers will get more benefits. He further said after China, trade with Turkey would open new avenues for us and it would help Pakistan to stabilize its economy.

TCP is urged to procure cotton from ginners

Pakistan Cotton Ginners Association (PCGA) Chairman Amanullah Qureshi has urged the government to ask the Trading Corporation of Pakistan (TCP) to procure cotton from the ginners as third buyer so that stability could come in the rates of cotton otherwise 'Beoparis' and other buyers would exploit the situation.

He said since the prices of cotton are falling in the international market, government should take precautionary measures to save the farmers as well as ginners from the financial loss.

He complained that Textile sector was presenting exaggerated figures of cotton production and local consumption to keep the market under pressure. PCGA was expecting 14 million bales production this year, while local consumption is not less than 14.5 million.

Turkey wants to import 5 million bales of cotton, and China is also expected to require similar quantity of cotton. He said that private exporters had exported 0.6 million bales of cotton last year and similar quantity might be exported during this season.

Cotton rate in international market is Rs.7000 per maund, while it was selling at local Market at Rs. 6400 to 6500 per maund. He said that the arrival of TCP as third buyer will ensure that market rates would be improved.

PCGA Chairman further said that government should protect the interest of growers and ginners. He suggested that government should announce the national cotton policy to protect the interest of all stakeholders. He reiterated his demand for a relief package for the ginners of Sindh, whose industry destroyed in the flood.

Textile industry retires Rs 30 billion debt

Textile, the backbone of country's economy, has made net retirement of Rs 30 billion banking debt in just two months of the current fiscal year.

During last fiscal year, the sector did not make borrowings for expansion / new projects, but borrowings remained limited to working capital which was reflected in increased exports. The country recorded about 25% increase in exports in the last fiscal year, mostly dominated by the textile sector.

The official banking data showed that all most sub-sectors of the textile retired their debts instead of making borrowings, reflecting the disappointing growth pattern of economy. One of the prime reasons which prevented the textile sector and other sectors from borrowing was the high cost of borrowing as well as the fact that banks were not keen to extend loans to the private sector.

The government remained biggest borrower of the banking sector in 2011 and even during the last two months of this current fiscal year, the government borrowed massively from the banking system. During July-August, the textile sector's borrowings fell to Rs 484 billion from Rs 514 billion in June 2011.

In the sub-sectors, borrowing for spinning fell from Rs 228 billion to Rs 206 billion while borrowing for weaving fell to Rs 88 billion from Rs 92 billion and finishing to Rs 75 from Rs 77 billion during the first two months. Made-up textile articles also fell to Rs 44 billion in August from Rs 48 billion in June.

Bankers said the textile sector would borrow in the second quarter of this fiscal year when arrival of cotton would be higher. However, textile experts said the sector has less chance of growth like it showed during the last fiscal year when exports were up by 25%.

The higher textile-based exports were due to global shortage which pushed both the demand and prices. The textile sector benefited from this situation.

Analyst Mohammad Imran, an expert on investment, said the textile sector cannot perform better unless it borrows

from banks and invests heavily for expansion and sophistication of textile products which China and India are doing. He said there was a need for a flexible textile strategy which could adjust as per market requirements.

Textile trade barriers due to deteriorating Pakistan-US relations

Even after the superpower's threats of unilateral action against the country, experts showed optimism that any such imposition will open new opportunities for the nation. Central Chairman Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Ijaz A. Khokhar said that the US could impose trade restrictions on Pakistan's textile export of \$4 billion a year of which home textile shared the major part.

Khokhar pointed out that the country's main textile business was taking place with European partners which according to him were just over 10 billion a year.

The Far Eastern countries are potential markets for Pakistan. Indonesia and Malaysia could be the Far Eastern trade

venues, while Iran is the next door market for us.

China's market is opening a window of trade much nearer in destination and with no fears of impositions of trade embargos or barriers, adding that China's surging market could fetch about \$10 -12 billion through textile exports a year for Pakistan. In this context, Pakistan had exported huge volume of yarn besides clothes, and other textile products to China last year.

If the US betrays Pakistan, hopefully China will help it and therefore trade ties between the two countries should expand. Ijaz Khokhar, however, also expressed that the hopes for Pakistan to receive the duty-free access for its textile items into the US market and the proposed construction of ROZs inside the country would wane if the ties between the countries are not normalized soon.

The textile sector believes that its export to North America would not be affected despite deteriorating Pakistan-US relations. They said they are getting orders from the US. However, they feel biggest challenge from China and India as their products are cheaper and the two countries have bigger access to US and Middle East.

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Textile exports to United States

Gohar Ejaz, Chairman All Pakistan Textile Mills Association (APTMA), has viewed that out of the total \$14.75 billion textile exports, goods worth \$2.5 billion were being dispatched to the United States currently.

While the \$7 billion Pakistani textile sector contributes over 58% to the national export earnings, leather comes second in line with 5% share to the foreign exchange.

Textiles also constitute 8.5% of the national GDP, make up for over 5% of total market capitalization at country's bourses and over 40% labour force in the country is currently being employed by this sphere.

He said textile sector accounts for only 3% of the United States textile imports, therefore, the escalating tiff between Pakistan and the United States will not have any alarming effect on the national exports of \$24 billion plus. We enjoy no preferential tariffs or other facilities from the US government. Unfortunately, Pakistan could not get any advantage from Washington, despite being a front-line US ally in the War against Terror.

The Chairman APTMA further said Pakistan has primarily lost a lot of business during these 10 years due to US travel advisories issued on regular basis. The business that we fetch in the United States is purely on the basis of merit and it is after a very stiff competition, pricing and product development strategies, that our textile mills manage to win export orders.

Rs 23.42 billion outstanding under DLTL

Spokesman of Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) has said the government should waive other taxes until the stuck up claims of readymade garment exporters are not paid to lessen the financial burden on them. The government is criticized for delaying the release of stuck up claims worth rupees 23.42 billion under the Duty Drawback of Local Taxes & Levies (DLTL) Scheme.

He said the funds allocated for payment of stuck up claims of readymade garment exporters, as informed to the National Assembly Standing Committee on Textile, are insufficient and would take years and years before full and final payment to the exporters against their outstanding claims. The spokesman said the readymade garments exporters have

already been denied their refunds early this year and present arrangement would further be destructive to Small and Medium Enterprises (SMEs) of the ready-made garment industry.

State Bank of Pakistan has cleared only Rs 5.3 billion so far out of the total claims of Rs 28.72 billion submitted by exporters until fiscal year 2011. Government should pay charges for undue delay in payment of stuck up claims, as the entrepreneurs are charged with penalties in case they pay taxes by delay.

Furthermore, the process of payment to the exporters is unnecessarily slow and the association has received complaints from many member companies on this account. The government policymakers, in recent interactions, were of the view that the association that funds have been released but the SBP staff is suggesting otherwise. He urged the government to not only release the stuck up claims forthwith but also announce continuity of the DLTL Scheme to facilitate the exporters in finalising fresh contracts with international buyers.

Cotton cloth export registers 13% increase

The export of cotton cloth from the country registered an increase of 12.64% during the first two months of the current financial year as about 317.56 million square meters cotton cloth was exported from the country during this time. During the period from July to August 2011, the country earned US \$395.3 million by exporting the cotton cloth which was recorded at 312.1 million square meters worth US \$351.0 million during the same period last year.

According to Federal Bureau of Statistics (FBS), during the period under review, readymade garments export also registered upward trend of 21.75% during the period; July to August 2011 as about 6,511 thousand dozen readymade garments was exported, earning US \$122 million.

Knitwear export from the country increased by 12.53% as about 22,902 thousand dozen knitwear worth US \$424 million exported during the period under review. The export was recorded at 20,836 thousand dozen cost US \$377 million during the period from July to August 2009-10.

Meanwhile, bedwear exports surged by 5.26% as about 44,908 tonnes bedwear of US \$358 million exported during the period under review as against the 56,093 tonnes worth US \$340 million

during the corresponding period of last year.

Exports of towels were also increased by 6.60% as about 28,769 tonnes of towels worth US \$126 million were exported during the first two months of current financial year. The export from the country during the first two months of last financial year was recorded at 29,794 tonnes costing US \$118 million.

During the period under review, export of raw cotton registered tremendous increase of 841% in the first two months against the export of the same period last year. However, cotton yarn export witnessed negative growth during the period under review as the export of the said commodity decreased by 7.64% from the country.

Energy continues to trouble textile sector

Newly elected Chairman of All Pakistan Textile Mills Association (APTMA), Mohsin Aziz has said many issues confronting the textile sector have been tackled, but energy (gas and electricity) remains to be major problem especially in Sindh province.

Addressing the 53rd annual general meeting held simultaneously in Karachi, Lahore and Faisalabad, Mohsin Aziz - a prominent industrialist who also served as APTMA Chairman during 1999-2000, said "presently, we have no short term solution to gas curtailment and electricity load shedding programme, but future strategy should be there, so that at least uncertainty is removed. It is not possible to operate on alternative fuel, which is expensive. My first priority will be to tackle energy issues on consistent basis."

He added further, "if we want to cut the cost of doing business, high mark-up rate needs to be brought down to a single digit. It is very important for industry to grow and become competitive in the world. With such high interest rate, uncertainty in power supply, current law and order situation, textile industry specially export oriented industry needs a special package."

KW&SB increased water tariff for industrial consumers

All Pakistan Textile Processing Mills Association (APTMA), Arif Lakhani, has expressed concern over 82% increase in water tariff and persisting water shortage in Site industrial area.

