Editor's Page

Cotton target may not be achieved

The cotton production target set for the year 2007-08 may not be achieved as the attacks of cotton leaf curl virus (CLCV) and mealy bug few months ago have destroyed the crop (approx. one million bales). Earlier, the cotton production target was set at 14.2 million bales that were later on reduced to 12.8 million bales.

The Ministry of Food, Agriculture and Livestock (MINFAL) and the Ministry of Textile have different opinions about it. According to the MINFAL officials, the cotton production will be around 11.8 million bales in 2007-08 whereas the officials of Textile Ministry forecast that it will not be more than 10 million bales.

This means that crop would be short by 20% (about 2.5 million bales valuing around US $600 millions) from last season and 30% (about 4.24 million bales valuing about US $1.0 billion) from initial official target of 14.14 million bales. Beside, there are huge losses of cottonseed oil and oil-cake.

Pakistan will have to import equivalent to some 5 million local weight bales (170 Kgs) worth about US $1.2 billions to meet domestic cotton requirements. This will be a serious blow to the growth of our economy. Pakistan cotton crop has been continuously decreasing for the last three years while that of India is continuously increasing rapidly for the last four years.

India adopted latest seed-technology some five years back and Pakistan is still lacking. Pakistan cotton crop has been under attack of Mealy Bug for the last couple of years which is spreading over other crops besides cotton, and this season it has badly damaged cotton crop by more than 30% and growers fear more damage next year.

The annual average lint yield obtained by Pakistan in 2004-2005 was highest at 760 kgs per hectare, meaning 14.45 million bales on 3.23 million hectares. Last year lint yield was 650 kgs per hectare, but this season it has decreased to around 464 kgs per hectare. Against this Pakistan's performance, India produced record high crop in 2004-2005 and since then country has been producing record crops and in 2006-2007 obtained the position of second largest cotton producing country of the world, after China pushing down USA at third position in 2007-2008.

The textile industry being one of the major stakeholders is already under serious threat of closing down and is apprehensive of the raw material shortage. Failure of our cotton crops would adversely affect Pakistan's major and most important industries related to cotton ginning, spinning, weaving, finishing, knitting and garment making in terms of lower export earnings, unemployment and negative effect on allied industries.

As a result of surge in cotton prices, many deceptions have cropped up which are ultimately going to create a further crisis in the cotton economy in the coming years. Similarly, the textile industry which has to pay a much higher price than the officially fixed spot rate for cotton is also getting bank financing at increased rates which has put it under a liquidity crunch.

Cotton provides raw material to Pakistan's over 567 textile mills, 1,400 ginning factories and over 5,000 oil mills. Cotton and its value added industry contribute over 63% to Pakistan's export income during 2006-2007`. Besides, cotton provides livelihood to 1.5 million farming families and jobs to almost 50% of labor force. Therefore, it can rightly be called as the life-line of Pakistan's economy.

The textile industry placed the current consumption of raw cotton at around 15 million bales; however, cotton consumption in the country during the last decade registered a growth rate of about 4% annually on average basis. Based on a similar growth pattern in years to come the mill consumption requirements are estimated to be 18.5 million bales by 2015.

For the last two years our textile manufacturing industry, especially the spinning sector, has been in deep crisis, due to the disproportionate increases in costs of production. The Government started offering 6% Research and Development (R&D) subsidy to the readymade garment exporters since May 2005 and in the following year, the cash subsidy incentive was extended to other value added sectors at the rate of 3% and 5%. In addition Government provided Rs25 billion cash subsidy and financial relief by way of swapping high interest bearing loans of textile mills to long- term concession rated loans and offered export refinance at 7.5% rate and later, a 3% concession on bank loans was also given to certain category of spinners.

After claiming about Rs. 30 billion as cash subsidy, concessions on bank loan rates and also on export refinance in last 30 months, export of most of textile products missed the targets in the first five months of current fiscal year. According to the Mian Zahid Aslam, Chairman Pakistan Textile Exporters Association (PTEA), export target of $19.2 billion set for the current fiscal year is unrealistic in the present circumstances when textile exports are meeting stiff resistance from its competitors due to high prices of products.◆