Ministry seeks state protection, support price for cotton crop

The Ministry of Textile Industry has sought state protection and support price for the cotton crop to arrest its continuing fall, as crop production came down from 14 million bales to 10 million bales during the last two years. The country is spending huge foreign exchange earnings on cotton imports due to a shortfall in the cotton crop to meet local industry requirements, said Hassan Iqbal, Secretary Ministry of Textile Industry while briefing the National Assembly Standing Committee.

The Secretary Textile Ministry said that contrary to sugarcane and wheat, cotton crop has no state protection. In the case of the bumper cotton crop, there is no guarantee that the government would procure it and this situation is prompting a reduction in cotton cultivation area, and hence this is negatively affecting its production. No legislation is required for this purpose and the cotton production can be improved only through administrative instruction.

The Committee backed the ministry's request and directed for presenting a proper framework which would be discussed at the highest level. The Committee further recommended for reducing input cost i.e. giving subsidy to increase cotton production.

The Committee also recommended that the government should ban the establishment of sugar mills in cotton growing areas. The Committee further recommended that incentives should also be given to the cotton industry to develop the interest of farmers in cotton growing to add huge revenue to the government exchequer.

Country misses cotton production target for 2016-17

Pakistan cotton production has been recorded at 10.5 million bales against the set target of 14.1 million bales for 2016-17, missing the cotton production target by around 25%.

Official sources revealed that 10.5 million bales of cotton have been recorded so far and the number may reach 10.6 million bales by end-March (closing time); however, the number surpassed the cotton production of 9.7 million bales recorded during the same period of the last year (2015-16).

The country had missed the crop production target by around 30% in 2015-16 and it remained around 10 million bales which, according to the Finance Minister, had caused 0.5% to GDP growth. The officials said that the crop prospects are not very good in the current season as well and may negatively affect the growth rate again.

The government downward revised the cotton production target as well as cotton cultivation area and fixed it at 14.1 million bales from 7.4 million acres of land for 2016-17 against 15.49 million bales from 7.7 million acres of land estimated for 2015-16.

According to the officials, lower prices in last year and less return from competing crops led to a reduction in overall cotton sowing. This decrease in area is also proportionately depicted in the production.

Textile exporters demand release of refunds

The industry leaders, expressing concern over rapidly falling exports of value-added textile goods, urged the government to immediately release all outstanding refunds and rebates to generate sufficient liquidity to help arrest falling exports.

Referring to exports figures released by the Pakistan Bureau of Statistics, leaders said that during the first seven months of current fiscal textile exports declined by 1.54% over the corresponding period last years.

In contrast, textile exports during July-Jan of 2010-11 were at $7.45 billion but exports during first seven months of current fiscal recorded a decline. This was alarming because instead of registering increase the exports after passing of a long period of seven years declined.

Pakistan Apparel Forum chairman Muhammad Jawed Bilwani said the main reason behind rapid fall in exports is that exporters are faced with tough competition from regional countries due to ever increasing the cost of production and persistent liquidity crunch.

He criticized the government for announcing textile export package just before the start of Heimtextil Frankfurt exhibition (10-13 Jan 2017) due to which foreign buyers immediately demanded discounts from Pakistani exhibitors.

Muhammad Jawed Bilwani, Chairman, Pakistan Apparel Forum.

As a result of this, he said, exporters who got 6% rebate under the relief package had to give approximately 3% discount to their buyers. Unfortunately by the time Pakistani exhibitors in Heimtextil were back home yarn prices increased by 6%.

Pakistan Bedwear Exporters Association (PBEA) Chairman Shabbir Ahmed was highly critical of the government for giving the rebate on yarn exports in the relief package. Instead of giving cushion to local value-added sector the move benefitted our competitors.

FBR observes full impact of the textile package

The Federal Board of Revenue (FBR) has observed that it is too early to forecast the full impact of the textile package on exports as announced by Prime Minister for textile sector in January 2017. According to the brief submitted by the FBR to the Senate Standing Committee on Textile, since the textile package was announced in January 2017, it may be too early to forecast its full impact on the textile industry, particularly with regards to exports.

However, it will certainly improve the comparative competitiveness of Pakistan's struggling textile industry its regional competitors like India, China, Turkey and Bangladesh. The concession has been made available until 30th June 2018 unless revoked earlier and total impact of concession in terms of customs duty and sales tax has been estimated by the Finance Division at Rs 17 billion. However, it will certainly improve the comparative competitiveness of Pakistan's textile industry.

After the incentives package in Pakistan, Bangladesh and China have also given packages to their textile sector.

China's Xinjiang Uygur Autonomous Region has announced several incentives for industry, especially textile, in order to take advantage of China-Pakistan Economic Corridor (CPEC) including rent-free factories in industrial parks and Xinjiang's less-developed southern area of Hotan, Aksu, Kashgar and Kizilsu Kirgiz prefectures.

Furthermore, interest-free loan deals to boost the local textile industry, fund for textile and garment companies to help them increase exports, cheap electricity at four cents per Kwh, transportation subsidies and maximum tax rate of 15% which would be a great challenge to Pakistan textile industry.

PAC expresses anger over rolling back of Textile City Project

Syed Khursheed Ahmed Shah, Leader of the Opposition.

The Public Accounts Committee (PAC) while expressing serious anger over rolling back of Textile City Project in Karachi has directed the Secretary Textile to provide all details of the project to the committee at the next meeting.

The PAC meeting which was held recently at the Parliament House under the Chairmanship of Leader of the Opposition in the National Assembly Syed Khursheed Ahmed Shah reviewed audit reports of the Ministries of Textile, Human Rights, Information Technology and Housing for the years 2009-10 and 2013-14.

The Secretary Textile informed that the government has rolled back the Textile City Project designed in 2004 in Karachi owing to gas shortage and other energy-related issues.

The Secretary stated that the Textile City was planned to compete in the global market to comply with standards of the World Trade Organisation but due to power shortage and gas supply issues we could not make it functional, but we spent Rs 3 billion on the project during the past 13 years.

The chairman PAC asked the officials of Ministry of Textile Industry to explain the reasons for the decision of winding up of Textile City in Karachi. He said he would request the Federal government not to wind up the project till the PAC gets a complete briefing on the issue. The Chairman committee said that Rs 3 billion from national kitty have already been spent and the government will not be allowed to roll back this project.

Senate body for protecting local textile industry

Senate Standing Committee on Textile Industry stressed the need for protecting local textile industry to enhance exports volume of the country. The committee gave a recommendation for proper execution of "Trade

Enhancement Package" amounting to Rs.180 billion for the industry, announced by Prime Minister Muhammad Nawaz Sharif.

Mohsin Aziz, Chairman, Senate Standing Committee on Textile Industry.

The meeting was chaired by Chairman of the Committee Senator Mohsin Aziz, who recommended the extension the period of trade enhancement package from 18 months to five years. The Committee also recommended the appropriate utilization of the package and also stressed for proper timeline in execution, protection of local industry for enhancing exports and reduce the energy prices to provided competitiveness for industrial growth. The officials from textile industry informed the Committee that the government had decided to give drawback on duties in garments by 7%, process fabric 5%, made-ups 6% for coming 18 months.

The government had also given relaxation on the import of textile machinery for the modernization and to enhance the capacity of the textile sector. The committee was informed that through this package cost of doing business would decrease for enhancing business activities in the country.

Textile and clothing exports decline

Pakistan's textile and clothing exports fell 1.30% to $1.064 billion in January on a year-on-year basis. The fall in exports was mainly driven by value-added products. The product-wise details show that exports of readymade garments fell 3.60% while those of knitwear dropped 3.44% in January. Exports of bed wear went up 2.17%, but those of towels declined by 1.36%. The exports of raw cotton also recorded a year-on-year decline of 49.77%. Lastly, the art silk and synthetic textile exports declined by 4.11%.

One reason for the fall in exports of value-added textile products is that Pakistan's preferential access to the European Union under the GSP-Plus scheme did not boost the country's exports owing to a slump in demand in the 28-Nation Bloc.

In the seven months to January, the value of exported textile and clothing products fell 1.54% year-on-year to $7.224 billion. One of the reasons cited for the textile package was the need for countering the rising cost of production. The value-added textile sector appears to start reflecting a positive vibe on the government export incentives package as its exports were recorded upward in the first seven months of the current fiscal year of 2016-17.

The value-added textile sector, also known as a billion-dollar group for fetching one billion dollars plus export revenue, generally showed recovery with exports of bed wear up 5.07% to $1.225 billion and readymade garments rising to 4.17% to $1.301 billion in the July-January period of 2016-17.

Chinese entrepreneurs to invest in textile sector

Pakistan's Ambassador to China, Masood Khalid has invited the Chinese companies to take advantage of investment-friendly policies of the present government and come forward to invest in textile and garments sectors in Pakistan.

Masood Khalid, Pakistan's Ambassador to China.

The government is focusing on the development of textile and garments sectors as it is considered to be the backbone of Pakistan's economy, he said while addressing the representatives of about 76 Chinese companies at a road-show of Quaid-e-Azam Apparel Park (QAAP), Sheikhupura.

Welcoming the Chinese businessmen and entrepreneurs, he said their presence reflect on the confidence in the market potential in Pakistan. This project is aimed at the development of textile and garment sector in Pakistan, which exports the bulk of its textile products to China.

Pakistan and China, partners in the China-Pakistan Economic Corridor (CPEC), are executing a large number of projects including energy, roads network, infrastructure, Gwadar port and new industrial zones along its route. He informed that more than 90,000 Chinese nationals are already working on different development projects in Pakistan.

Pakistan as cotton producer facing high input costs

Pakistan is the fourth largest producer of lint in the world behind China, India and the US. It has the 3rd largest spinning capacity in Asia after China and India.

The major lint producers in developing countries especially Pakistan are finding it difficult to capitalize on cost and international price competition as the United States has allocated more than $600 billion for subsidies on agriculture commodities mostly for cotton growers.

According to Ghulam Rabbani, a Senior Member the Pakistan Yarn Merchant Association, this was an unfair international trade practice as major cotton producers in Pakistan, were facing hardships due to high input cost and higher bank rates. Instead, the US is demanding other countries to end subsidies on agriculture.

In order to keep the wheels moving, the domestic textile and spinning sector had to import around 3 million bales in 2016-17 to meet the shortfall. The shortfall was mainly related to higher production costs and an uncertain economic environment.

Rabbani said that the World Trade Organisation had once agreed that export subsidies for agriculture would be abolished. Developed country members should eliminate their scheduled export subsidy entitlements from the date of adoption of this decision and developing country members should eliminate their export subsidy entitlements by the end of 2018.

Import of Indian cotton via Wagah Border

The Chairman of Pakistan Cotton Ginners Forum Ihsan ul Haq stated that Department of Plant Protection (DPP) halted cotton imports from India via the Wagah border crossing amid rising tensions between the two countries. However, recently, this ban has been lifted after a period of eight months and Pakistani authorities have permitted import of cotton via Wagah Border Crossing. Pakistan resumed cotton imports from India via Wagah border crossing after a period of eight months. But there has been a significant drop in interest of Pakistani mills owners in Indian cotton amid an unusual hike in price.

The current report of International Cotton Advisory Committee (ICAC) reveals that per hectare production of cotton in remained record 25% higher than India in the cotton year 2016-17. In the cotton year 2016-17, per hectare production of cotton in Pakistan remained at 699 kilograms whereas in India it remained at 560 kilograms.

ICAC further forecasted that per hectare production of cotton would remain 40% higher than India in the cotton year 2017-18. ICAC said that in the cotton year 2017-18, per hectare production of cotton in Pakistan would increase to 739kg while cotton production from 0.1 million tons to 1.9 million tons whereas in India per hectare production would decrease to 530kg and cotton production would soar by 0.1 million tons to 6 tons.

Energy tariff rationalisation must to boost textile exports

The All Pakistan Textile Mills Association (APTMA) Chairman Aamir Fayyaz has said that rationalization of energy tariff is must to boost exports and encourage further investment in the textile industry. While appreciating the Federal government for Rs180 billion export packages, the APTMA Chairman pointed out that energy cost was still hampering the textile industry, a mainstay of Pakistan economy in terms of exports, as it was unable to pass on the high energy costs to its international buyers in a highly competitive environment. He said the energy, both electricity and gas, was a prime factor in cost of doing business for the textile industry.

On the electricity side he said that the textile industry tariff was loaded with various types of surcharges, system inefficiencies and recovery losses. The government is charging exorbitant tariff from the textile industry, which is not possible to be passed on to the international buyers. He said as far as the gas supply was concerned, the government was providing it from domestic and imported sources with two different tariffs. The domestic supply is available at Rs 600 per MMBTU against the imported supply at Rs 950 per MMBTU.

He said the textile mills, heavily dependent on imported gas supply, were deprived of a level playing field within the country. The government should introduce weighted average price of gas both for domestic and imported supplies to encourage new investment in the textile industry. The APTMA Chairman has demanded availability of electricity at Rs 7 per unit and gas at Rs 600 per MMBTU inclusive of GIDC to the textile industry across the country. ◆