



Pakistan Cotton Weekly Report

July 30, 2010

CROP OUTLOOK

As a corollary and with the introduction of Bt cotton from Monsanto, with whom market reports indicate that the government has reached an understanding, lint output in Pakistan could rise to 20 or even 22 or 33 million bales (170 Kgs) in the foreseeable future.

Bt Cotton has lot of potential to resist various insects that is why farming community rapidly adopting it to enhance their productivity and to earn more money by quality cotton. Chairman Department of Environmental and Resource Economics presented a research outcome regarding economics of adopting Bt cotton. They concluded that the ratio of profit of non-Bt and Bt varieties is 1:28, so they advised farmers to grow registered Bt cotton varieties for the better incentive.

This was stated by Director General Agricultural Extension and Adaptive Research Punjab that Pakistan has been producing 13 million bales of cotton and Punjab province is main contributor by cultivating 60 lakh acres cultivated land. More than 20 lakh acre cotton crop is being grown by the Farmers of Bahawalpur Division whereas 12 lakh acres by farmers of D G Khan Division. The farmers of central Punjab are also growing this cash crop instead of rice due to increasing demand of cotton.

2010-2011 cotton crop output in Pakistan continued to be assessed in conservative terms to be between 13.50 to 14 million running bales domestic size (170 Kgs) on an ex-gin basis.

According to the updated ginning report, up to 200,000 bales have been pressed till now from the new season (August 2010-July 2011). About 8,000 bales are being ginned daily by 75 to 80 ginning factories but the daily rate of cotton ginning from the new crop is expected to go up materially from the 15th of August 2010.

AGRICULTURAL CROP

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COTTON / SEED-COTTON PRICES

Business activity was slow as ginners raised asking price due to short supply position. Consequently, cotton prices have made a handsome recovery of Rs 200 to Rs 400 per maund (37.32 Kgs) since the inception of this week with good to fine class of cottons fetching between Rs 6,200 to Rs 6,400 per maund.

On July 29, 2010 market prices were recorded as seedcotton (Kapas/Phutti) prices gained Rs 100 per 40 Kgs in both Sindh and Punjab since last week. In Sindh, seedcotton prices reportedly ranged between Rs 2,650 to Rs 2,700 per 40 kgs, while in Punjab they were also said to have ranged higher between Rs 2,750 to Rs 2,900 per 40 Kilograms.

Lint prices have also moved up significantly. In Sindh, they are said to the ranged between Rs 6,000 to Rs 6,100 per maund (37.32 Kgs) according to the quality, while in Punjab they reportedly ranged between Rs 6,300 to Rs 6,400 per maund.

Date	Ex Gin Price Rs.	Up Country Expense Rs.	Total Price	
			PKR Rs.	US c/lb
24-July-10	5,850	100	5,950	84.67
26-July-10	6,000	100	6,100	86.76
27-July-10	6,000	100	6,100	86.71
28-July-10	6,100	100	6,200	88.13
29-July-10	6,200	100	6,300	89.55
30-July-10	6,200	100	6,300	89.50

* 37.324 Kg

Seedcotton/Lint Prices

Highlights

- **KCA spot rate was recorded at Rs 6,200**
- **Cotton prices have made a handsome recovery of Rs 200 to Rs 400 per maund (37.32 Kgs)**

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SUPPLY & DEMAND

Activity was thin on cotton market as ginnerers raised asking price owing to the tight supplies due to monsoon rains. KCA official spot rate for the second day in a row was raised by Rs 100 to Rs 6200. In ready business on July 29, 2010, only 1600 bales of cotton changed hands between Rs 6000-6400.

After a couple of months of uncertainty and volatility in domestic cotton market, cotton prices have found a positive direction when the federal government removed the two month old Regulatory Duty on yarn exports on the 26th of this month. But now the present scenario is against expectations as the market players were hoping that the lapse of Regulatory Duty (RD) will help in increasing the business activity but monsoon rains changed the scenario. Due to said factor, prices may go up further in coming days, in the meantime, field surveyors expected that time to time rains in Sindh and Punjab may give a good effect on Cotton belt as beneficial to the standing crop, However, any excessive rains henceforth could provide too much water in the fields where it could stagnate and effect the crop adversely. But the Crop experts are expecting to gain average production for the year 2010/11 @ 13.50 to 14 Millions bales.

Mills Consumption was still being given to the between 15.25 to 15.50 million bales. Cotton economy from grower and ginner to the spinners, weaver and value added sector has become free so that market mechanism will henceforth drive the entire chain of stakeholders to work efficiently and also profitably.

With increasing prospects of cotton arrivals of domestic crop gaining added momentum August onwards, import enquiries from mills for the nearby months are facing reduced demand. Moreover, at present, mills in Pakistan are focusing on procurement of local ready cotton with little or no interest in offers of imported cottons for the distant months. Demand for cotton during the forthcoming years is likely to increase steadily. Overall market stance for both raw cotton and yarns is quite positive.

Supply & Demand

Logical Views

- **Mills Consumption** was still being given to the between 15.25 to 15.50 million bales.
- **Cotton Production** for the year 2010/11 forecast is 13.50 to 14 Millions bales.

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Simple Business Strategy

- **A Pakistani firm has defaulted on cotton shipments worth 2.7 million dollars to China and Indonesia.**
- **An Indian Businessman Said, default on shipment to China will not only cause long-term damage to our credibility, as a reliable supplier, but will also damage the reputation of Pakistan.**

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MARKET OUTLOOK

Pakistani Firm defaults on \$2.7m

A Pakistani firm has defaulted on cotton shipments worth 2.7 million dollars to China and Indonesia.

Indian commission agent (Shail Exports) has lodged a complaint with the Trade Development Authority of Pakistan, alleging that Sindh Agro Industries failed to ship the cotton as per the agreement and sold it in the local market, to reap the benefits of higher prices.

Sindh Agro Industries had entered into a deal last year with Chinese and Indonesian companies, through a firm in India, to supply 2,300 tons of cotton. Local firm has its ginning factories in Hyderabad, Tando Adam and Shahdadpur.

Indian C. agent (Shail Exports) said that Sindh Agro did not confirm any shipment schedule, despite several contacts. The agent claims \$942,135 for not complying with the contract and \$72,827 on account of weight loss.

An Indian Businessman Said, default on shipment to China will not only cause long-term damage to our credibility, as a reliable supplier, but will also damage the reputation of Pakistan.

Sindh Agro Industries honored shipments till November 10, but after that they suddenly stopped further shipments; the reason might be that the local price of cotton in Pakistan went up by around 20%, within a short period of 7 to 10 days.

The company did not execute two contracts, which included 1,000 tons of cotton to be shipped to Zhanjiang Port of China. A larger default, of 1,500 tons of cotton, was made in deals with a Chinese firm, which is a regular buyer of Pakistan's yarn and cotton.



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Highlights

- **Chairman, APTMA has hailed the decision of removal of 15% Regulatory Duty on yarn export by the Cabinet Committee on Textile.**
- **Chairman Aptma expressed his views that the government will not interfere in free market mechanism as far as import and export is concerned.**

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TEXTILE

Yarn Export: Removal of 15% RD

Chairman, All Pakistan Textile Mills Association has hailed the decision of removal of 15% Regulatory Duty on yarn export by the Cabinet Committee on Textile. In a statement issued to the press Chairman Aptma welcomed the decision of the Cabinet Committee on Textile that the free market mechanism has to be implemented in its true spirit to enable the whole chain of textile industry to stand on their feet in a competitive environment.

Chairman Aptma expressed his views that the government will not interfere in free market mechanism as far as import and export is concerned. Chairman Aptma said that they believe in free market mechanism and all players in Textile chain should be provided a level playing field and there should be no interference in Business affairs and in the mechanism of demand and supply so that inefficiencies within each sector should be eliminated.

He further said that intervention in working of market mechanism always work for the advantage of one sector and to the disadvantage of another. Chairman APTMA said that the expectation of the new cotton crop is optimistic and they expect a bumper crop this year as the farmers have worked hard to attain higher crop levels on expectation of a Government policy of free trade thereby guaranteeing them international prices for their produce.

Any intervention in e free trade mechanism would very seriously jeopardize the prospects of the farmers being able to achieve fair returns and to attain the target of 20 million bales of cotton by 2015.



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Highlights

- **Value-Added Textile Forum Officials has rejected the decision of the cabinet committee on textiles to waive 15 regulatory on textile and withdrawal of quota restrictions describing it unjust and illogical.**

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TEXTILE

Textile Forum Rejects Government's decision

Value-Added Textile Forum Officials has rejected the decision of the cabinet committee on textiles to waive 15 regulatory on textile and withdrawal of quota restrictions describing it unjust and illogical. He said that Federal Government had left Ready-made Garments Manufacturers, Bedwear and Cloth manufacturers alone that earn ten-time more foreign exchange than raw material exporters.

He said there were proposals to extend the regulatory duty for another month, but powerful and influential APTMA got rejected the proposal and decided to allow free export of yarn. Government's committee did not entertain the proposals of made-up industry.

He said that Government had assured to continue the duty for further three months to save the power looms, bed-wear, towel, ready-made garments industry. The duty, imposed on May 12, lapsed after two-and-a-half-months on July 26. He said that the duty was imposed as the value-added textile sector had complained shortage of yarn in the country.

The committee had allowed export of 35,000 tons of duty free yarn after May 12 along with 2,000 ton per month quota, valuing \$3.8 per kg or above. Vice chairman of APTMA Punjab chapter welcomed the decision of the cabinet committee and appreciated the minister for textile and other cabinet members for liberalizing yarn export. He expressed satisfaction on the free market mechanism.

Due to quota and duty, spinning industry had lost huge amount of money and around 50 mills were closed in just two months. Vice chairman APTMA said that due to free export of yarn, prices of cotton and cottonseed would stabilize and whole the textile chain, including growers, ginners, spinners and even value-added sector, would benefit.

This dispute between the value-added textile sector and APTMA continued for almost the whole season. Despite complaints made by the value-added sector, the overall textile exports, in terms of value, increased by four percent to cross 10 billion dollars, which had a share of more than 53% in overall exports of the country. "If there was shortage of yarn how would the export increase?" asked chairman APTMA. He said Pakistan's yarn was still cheapest in the world.



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Highlights

- **Till July 29, 2010:**
6600 Bales were sold @
Rs 6,000-6,400

Weekly Sales

Weekly Sales (Sindh / Punjab)

Crop 2010-11

PUNJAB REGION

<i>Punjab Stations</i>	<i>Total Bales</i>	<i>Punjab Stations</i>	<i>Total Bales</i>
Arif Wala	2600	Khanewal	1600
Bahawal Nagar	500	Mamu Kanjan	200
Burewala	5800	Mian Chunno	1200
Chicha Watni	2000	Mongi-Bangla	200
Dipalpur	200	Multan	800
Ghaziabad	200	Pakpattan	200
Gojra	200	Sahiwal	1400
Haroonabad	800	Samandari	800
Hasilpur	800	Vehari	800
Jhang	200		

SINDH REGION

<i>Sindh Stations</i>	<i>Total Bales</i>
Hyderabad	600
Mirpurkhas	400
Sakrand	200
Sanghar	1900
Shahdadpur	2600
Sultanabad	1400
Tando Adam	2000