

# PAKISTAN COTTON WEEKLY REPORT

## Cotton / Seed-cotton Prices

Seedcotton (Kapas/Phutti) prices also maintained their ethereal price levels between Rs 2400 to Rs 2700 per 40 kgs, a hitherto unparalleled prices range for domestic seedcotton in Pakistan.

Prices of cotton in rupee terms are likely to remain high. Ready sales reported by 25<sup>th</sup> Feb 2010 from Karachi included 1000 bales of cotton from Dharki in upper Sindh (K-68) at Rs 5650 per maund (37.32 kgs) while another sale of 1000 bales from the same station was reported higher at Rs 5750 per maund (37.32

Kgs), highest price for ready sale ever in Pakistan.

Under these overwhelming circumstances, Karachi Cotton Association (KCA) determined its ex-gin price for grade three cotton at Rs 5,450 per maund (37.32 Kgs), highest ever price fixed by KCA for any cotton. Rising trend persisted on cotton market as most of buyers were busy in forward purchasing. In ready business over 2000 bales of cotton changed hands in range of Rs 5500-5700.

*(Cotton Price as on 02-26-2010: Sindh 5,600 – 5,700/- , Punjab 5,600 – 5,750)*

**Friday, February 26, 2010**

**K.C.A Official Spot Rate for Local Dealings in Pak Rupees**

FOR BASE GRADE 3 (THREE) STAPLE LENGTH 1-1/16"

MICRONAIRE VALUE BETWEEN 3.8 to 4.9 NCL

Rate for	Ex-Gin Price	Up-country Expenses	Spot Rate Ex-Karachi	Ex-Karachi Price as on 25-02-2010	Diff. Ex-Karachi
37.324 kgs Equivalent	5,600	100	5,700	5,550	+150
40 Kgs	6,002	100	6,102	5,941	+161

# PAKISTAN COTTON WEEKLY REPORT

## Supply & Demand

Cotton prices soared to new heights achieving peak performance smashing all previous records as incessant increase in yarn prices, fast diminishing domestic supply of cotton and high levels of fiber values achieved by ICE cotton futures in New York all huddled together to impart bullish fervor to commodity.

Cotton imports continued, primarily from neighboring India, lint prices refused to calm down for the time being. Thus on 02-25-2010 lint prices in both Sindh and Punjab ruled at Rs 5700 per maund (37.32 Kgs) in ready market with one sale from Sindh (district Daharki) also reported at Rs 5750 per maund.

There was news in market that only viable origin for imported cotton as at present is from India. In fact, Indian upland cotton for comparable domestic lint is cheaper by several hundred rupees a maund (37.32 Kgs) after adjusting for better quality and lower trash content in imported commodity. However, mills involved in hand to mouth purchase and those with paucity of funds are clamoring for local stuff to meet their immediate requirements.

Trouble with international cotton situation is that fiber supply scenario has inherently strong fundamentals presently and the prices are essentially failing to relent. No doubt ICA cotton futures in New York moved down on last Wednesday, but positive fundamentals, funds support and mills short covering are likely to keep fiber prices in positive territory.

In Pakistan, cumulative textile exports posted a positive gain of about 12% in January 2010 compared to the previous month (December 2009). Of course there are always chances for some correction which may come to tone down cotton prices, but domestic mills with remarkable profits are likely to lap up most of floating cotton at prevailing rates.

It is estimated that domestic ginners are still holding about 400,000 bales of unsold cotton with them. Increase of yarn prices in Pakistan by a reported thirteen percent since the beginning of this calendar year (viz. January 2010) promises to assist some mills in procurement of more cotton. Indeed Pakistani mills need to import considerable more quantities of cottons to meet the shortfall.

With an estimated domestic cotton production of 12.7 million running bales of cotton on an ex-gin basis from the which the exporters will have shipped out one million local size bales, domestic mills will need to import more cotton to meet their current years (2009-2010) consumption ranging from about 15.25 million to 15.5 million (170 Kgs) domestic size bales.

Main buyers were away from market due to long weekend and partly because of higher trend in prices. Under the free-market regime prices may touch the new high level due to short supply position locally and internationally. According to National Bureau of Statistics figures showing that China, the world's largest cotton consumer, produced 6.4 million tons of cotton in 2009, down 14.6 percent from 2008. (*Continue . . .*)

# PAKISTAN COTTON WEEKLY REPORT

## ***Pakistani cotton purchased by top UK Retail Company:***

Pakistan is among the list of countries from where a leading British retail company is purchasing cotton for manufacturing textiles goods for its consumers. Sir Stuart Rose, Executive Chairman of Marks and Spencer, regarded as among top 100 British companies, while speaking at the Foreign Press Association, said his company was buying cotton from sub-continent and other countries. They are a big buyer of cotton and Pakistan is among their top overseas suppliers, commodity is then sent to different manufacturing units in China, Sri Lanka, India, Bangladesh and Turkey for finishing.

He said along with India and China, his company also sees the potential in Pakistan though it has yet to launch its operation in that country.

## ***Yarn Export: Cotton Yarn Export Capped at 35 million kg per month***

Government has decided to provide incentives to ensure availability of cotton yarn in local market by reducing income tax rate and extending refinancing facility on import of yarn. Incentives will be provided for a period of four months till June 30, 2010.

Government is currently charging income tax on export of cotton yarn at the rate of 35%.

Government has decided to reduce it to 10% if spinners sell yarn in local market.

Export refinance facility would be extended at the rate of 7.5% on import of two million bales to overcome the yarn cotton shortfall in domestic market till June 30, 2010.

Ministry of Textile would notify within days the specifications of quantitative restriction on export of yarn, subsidy to spinners in form of income tax reduction and export refinance facility.

After intensive consultations with all stakeholders, Textile Ministry decided to further tighten quantitative restrictions on export of yarn up to 35 million kg per month instead of 50 million kg from March 1 to June 30, 2010 in order to protect local value-added sector.

Earlier, cabinet body had decided, export of cotton yarn would be based on first come first get formula till June 30, 2010 and was restricted up to 50 million kg per month. In this regard Trade Development Authority (TDAP) was authorized to cancel registration of violators; however yarn crisis intensified compelling the government to further restrict export of yarn.

Decision has been taken in interest of value-added sector, which suffered due to sky rocketing yarn prices and raw cotton in local market. Raw cotton and yarn was being exported resulting in a shortage for local industry. *(Continue . . .)*

## **56 million kg cotton yarn exported against 35 million kg quota**

Federal Minister for Textile Industry said, though the government had capped cotton yarn export at 35 million kg yet per month, export of commodity peaked at 56 million kg per month with 21 million kg excess export.

Excess quantity of export would be adjusted next month. Responding to call attention notices of lawmakers regarding export of cotton yarn and its resultant shortage in domestic market, Minister said that those who violated government directives would have to face deduction and in this regard talks were underway with Trade Development Authority of Pakistan (TDAP) and Customs authorities. In a recent meeting, it was decided to cap yarn export at 35 million kg to protect textile industry.

A total of 11 million bales of cotton were produced last year and 13 million bales this year against country's demand of 15 million bales. At present, there is a shortfall of two million bales to meet local demand.

Yarn crisis was due to poor cotton crop in China and other countries, which pushed up demand for Pakistan's cotton yarn in international market. Country exported 700 million kg of yarn in 2006-7, 526 million kg in 2007-8, 527 million kg in 2008-9 and 368 million kg in 2009-10(from first July to 31st December).

Owing to better crop output, power loom industry did not stock the product, resultantly growers as well as All Pakistan Textile Mills Association (Aptma) benefited.

To resolve the crisis government consulted Aptma and power loom industry, which led to the decision to withdraw customs duty on cotton import and registration of cotton exporters. Minister also informed the house that the registration of cotton exporters was not successful, which led the cabinet committee on textile industry to cap yarn exports at 50 million last year - down from 61 million kg. Minister said that this was the first time in history that government capped yarn export to protect textile industry.

## **Textile: Textile duty drawback payment**

Ministry of Textile Industry has barred State Bank of Pakistan from making payment under duty drawback of local taxes and levies scheme to any claimant of textile sector without permanent registration certificates. Textile Ministry had issued notification for implementation of the policy on September 1, 2009 under duty drawback of local taxes levies order 2009, notification No 3 (1) TID/08-P-I.

Ministry of Finance transferred Rs 5 billion to SBP in November for disbursement under the textile policy and promised further release of Rs 5 billion as soon as the first installment was fully utilized by SBP. Textile Ministry has made some amendments to notification of February 15, 2010 regarding certain amendments to the duty drawback of local taxes and levies order 2009 issued on September 1, 2009. [\(Continue . . .\)](#)

# PAKISTAN COTTON WEEKLY REPORT

---

## **Textile: *Textile duty drawback payment***

Ministry has informed SBP that the provisions of said notification are applicable only to the shipments made after issuance of same ie after February 15, 2010.

All exporters bearing permanent or provisional (valid or expired) registration certificates may submit drawback claims till March 31, 2010 in respect of shipments made after September 1, 2009. SBP may admit all such claims if they are otherwise in order, however, no payment will be

made to any claimant unless it presents permanent registration certificates.

Textile Ministry's RDA cell started registration of exports units and it has registered 684 units, an additional 286 units have been registered on a provisional basis, while approximately 10,000 units need to be registered under the policy. Recently, SBP expressed inability to convert textile sector loans into Long Term Financing Facility (LTFF) on basis of an agreement between GoP and International Monetary Fund.

## Weekly Purchase

- 1000 Tons Indian Cotton MECH b/w 75.25 to 77.25 c/lbs, 29mm, 29 GPT, G5 – Prompt Shipment
-

# PAKISTAN COTTON WEEKLY REPORT

## Weekly Sales Report

*New Crop 2009-10*

### PUNJAB

<i>Punjab Stations</i>	<i>Total Bales</i>
Bahawalpur	600
Haroonabad	3200
Khan Pur	4600
Khanewal	1000
Mailsi	400
Mongi-Bangla	600
Rahimyar Khan	2800
Sadiqabad	2000
Shujabad	400
Y Lund	400

### SINDH

<i>Sindh Stations</i>	<i>Total Bales</i>
Daharki	2600
Ghotki	400
Karachi Mills	2800
Kot lal	200
Mehrabpur	400
Rohari	800
Sanghar	400
Sarhari	200
Shahdadpur	500
SRI	400
Sultanabad	400
Tando J.Mohd	515