Pakistan Cotton Weekly Report

New Cotton

New season (2010-2011) sowing has already started in some areas in both Sindh and Punjab as growers received phenomenally higher prices for their produce in outgoing season (2009-2010) and also have learnt from practical experience that early cultivation of cotton is saved from several pests and also gives higher yields.

Cotton Arrivals

Pakistan Cotton Ginner's Association (PCGA) issued what appears to be the final seedcotton (Kapas/Phutti) arrivals report for current season (August 2009 - July 2010) up to the 1st of March 2010.

PCGA report shows total seedcotton arrivals till first of this month to be lint equivalent to 12,656,631 (170 Kgs) domestic size running bales against last year's arrivals of only 11,221,104 bales, or an increase of 12.79 per cent this season (2009-2010). It is generally felt by trade that this season's total arrivals will finish off at around 12.7 million bales on an ex-gin basis.

From the above quantity of current crop mills are reported to have lifted 11,420,430 bales, while exporters picked up 795,648 bales. Ginners are still holding 440,553 bales with them in both loose and pressed form, some of which may have been sold but not lifted. Thus about 300,000 bales of unsold cotton may be floating in market, an appreciable portion of which may be of lower grade and quality.

Seed Quality

Punjab Agriculture Minister has constituted a committee to ensure provision of quality cotton seeds to the growers for next season. This committee will also prepare a final report about availability of BT cotton varieties with Punjab Seed Corporation and all other seed companies.

Besides this, committee will also help removing complaints of growers regarding substandard cotton seeds in province. Committee will be headed by Director General (Agricultural Research).

Minister asked all wings of provincial agriculture department to devise a comprehensive strategy at earliest to start practical training of cotton growers. Sowing target of cotton in the province for next year is expected to be around six (6) million acres.

Agriculture department officers will be monitoring provision of quality seeds and sale of fertilizers on government prescribed rates.

Water level in Mangla dam rising

Storage water is increasing in Mangla dam, reaching to 1051.30 feet following of melting of snow at the snow-clad catchments soon. As a result of recent heavy rain and snowfalls in top mountainous catchments, water level rises by over nine feet on March 04, 2010 as its level elevated to 1051.30 feet, according to APP.

Arrival of water in Mangla dam was 27,239 cusecs and 35000 cusecs of water was being discharged from dam Thursday morning. Water level in Mangla dam was gradually rising since past couple of days. Nowadays reservoir is being filled with the water for future usage of power generation and irrigation purposes.

Water storage process in reservoir will continue till it reaches to stipulated maximum level of 1202 feet. It may be added that after completion of ongoing rising of Mangla dam, water could be raised in reservoir to the level of 1250 feet.

Experts here believe that current rising of water level in Mangla dam would leave positive impact for enhancing power generation capacity from Mangla dam besides for bringing an increase in per acre yield of agricultural produces in coming days in various parts of the country.

PCGA Arrivals Report

Arrivals / Sale Crop 2008-09 / 2009-10

	As on March 01, 2010 (in Bales)			As on March 01, 2009 (in Bales)		
Province	***Punjab***	***Sindh***	***Pakistan***	***Punjab***	***Sindh***	***Pakistan***
Total Arrivals	***8,437,613***	***4,219,018***	***12,656,631***	8,237,814	2,983,290	11,221,104
Sales to TCP	0	0	0	113,233	50,400	163,633
Sales to Exporters	107,426	688,222	795,648	71,508	223,157	294,665
Sales to Mills	7,967,733	3,452,697	11,420,430	7,173,431	2,405,805	9,579,236
Unsold Stock	347,159	73,168	440,553	853449	299830	1,183,570
Fortnightly flow			39,070			88,178

* un-ginned stock (20,226) is included with unsold stock

** un-ginned stock (30,291) is included with unsold stock*

Friday, March 05, 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 18-02-2010	Diff. Ex-Karachi
37.324 kgs	5,650	100	5,750	5,750	NIL
Equivalent 40 kgs	6,055	100	6,155	6,155	NIL

Cotton / Seed-cotton Prices

After reaching dizzy heights in a record performance at middle of this week, lint prices underwent a reaction in ready business and conceded about Rs 100 per maund (37.32 Kgs) in a sluggish market.

After commencing this season (August 2009 - July 2010) with lint prices generally ranging from Rs 3325 to Rs 3475 per maund (37.32 Kgs) according to quality, it generally remained a one-way affair till last Wednesday (3 March, 2010) when lint prices shot up frenetically without looking back most of the time to record ready lint sales in range of Rs 5300 to Rs 5800 per maund.

However, due to a plethora of reasons, cotton prices have started easing but some ginners are not easy sellers. Price of premium cotton has slid from Rs 5800 per maund a couple of days ago to Rs 5700 per maund due to reduced interest and declining sales of both raw cotton and cotton yarns. Market indicators point to decline in yarn prices any where by Rs 25 to Rs 50 per 10 pounds in recent days.

However, Karachi Cotton Association (KCA) found it fit to retain ex-gin price of grade three cotton at Rs 5650 per maund (37.32 Kgs), highest ever recorded for any type of lint in the history of Pakistan.

Price range of ready lint cotton obtained lower by about Rs 100 per maund (37.32 Kgs). There is hardly any seedcotton (Kapas/Phutti) in market but notional prices of seedcotton (Phutti) reportedly ranged from Rs 2400 to Rs 2700 per 40 Kgs (prices in both Punjab and Sindh), according to quality. Generally, lint prices ranged lower from Rs 5300 to Rs 5700 per maund (37.32 Kgs) as per quality.

Supply & Demand

Cheaper import of lint from India (after adjusting for qualitative differences) coupled with reported imports of 30/1, 40/1 and even higher counts at yarns cheaper prices are also pressing domestic cotton and textile markets.

Furthermore, recent announcement by federal government to reduce yarn export quota from 50 million to 32 million kilograms per month for the period from March to June 2010 is construed as a bearish development for both lint and yarns. It may also be mentioned that after attaining two year high levels, New York cotton futures (ICE) prices also went down over last couple of days. Some mills were active to meet the urgent requirements. Under this circumstances when prices are soaring in US cotton market too, ginners may adopt flexible attitude towards prices. Therefore, business has become sluggish at present.

Imports

It may be mentioned here that domestic mills are projected to consume 15.25 million to 15.50 million (170 Kgs) bales this season (2009-2010). Thus Pakistani mills may further import a total of 1.5 million to 2.0 million bales this season in addition to about one million or more domestic size bales they have already booked or imported till now.

Mills in Pakistan are likely to import further cotton from India, Brazil or American styles which are more economical. Pakistan rupee parity with American dollar is around 85 units per interbank rate, but in forward selling Pakistani exporters are reportedly fetching Rupees 89.50 against greenback.

Reports in market indicate that some exporters and mills were also sellers of cotton. Current season (2009-2010) in Pakistan is likely to be practically closed by the end of this month before which time most of the cotton will have been ginned, delivered to mills or bought and exported.

TEXTILE: *APTMA demands end of restriction on yarn export quota*

Acting chairman All Pakistan Textile Mills Association (APTMA) said unilateral reduction in yarn export quota from 50,000 to 35,000 tons per day will damage spinning sector in particular and entire textile industry in general.

This will not only stop yarn export but will also jeopardize the all letters of credit (L/C) already opened by foreign buyers of Pakistani cotton yarn. Mills were producing 240,000 tons of yarn per day, of which 60,000 tons is utilized by value added sector on daily basis, leaving a surplus stock of 160,000 tons.

Spinners are exporting from surplus stock and there is no dearth of cotton yarn in country. If, at all, the value-added sector feels that prices of locally produced cotton yarn is high, it can import cotton yarn as its duty free import is allowed.

APTMA has convened a general body meeting in next week, which will decide the future line of action against government's unilateral decision. It is clear that APTMA does not want any interference in yarn business, as cotton trade is duty free.

For the first time, spinning sector is getting good business in last three years and government should not impose its unilateral decision. Mills have invested $6 billion for the up-gradation and modernization in last several years and if they are stopped from exports the amount of default will soar again.

APTMA officials wish for both spinning and value added sector flourish in country as they are part and parcel of textile industry, largest export earner for the country. They have maintained that if government did not lift this quota restriction, spinners will close down their factories and lay off thousands of workers.

Textile Exports

70% of spinning mills are carrying only 15 days cotton stock due to the abnormally high cotton prices internationally and anti-industry policies of the textile ministries locally.

Textile ministry has further tightened quantitative restrictions on export of yarn at 35,000 tones per month from 50,000 tones, effective from March 01 to June 30, 2010. This decision of textile ministry has gathered dismay on the part of spinners and they have criticized Ministry of Textile's failure to play a non-partisan & balanced part in decision making.

Interestingly, latest exports figures suggest the exports of all sub-sectors of textile industry have increased impressively in January 2010 comparing with December 2009, barring exports of raw cotton and cotton yarn that have declined by 31.27% and 19.18 percent respectively.

Exports of yarn other than cotton yarn (17.08%), cotton cloth (8.50%), knitwear (13.56%), bed wear (10.66%), towel (61.63%), tents, canvas & tarpaulins (1.89%), readymade garments (25.25%) and art, silk & synthetic textile (7.12%) are on the rise in January 2010 comparing with December 2009.

Latest figures suggest that apparel sector's hue and cry is entirely baseless. Spinning mills are failing in meeting with their foreign buyers' commitments and foreign customers have threatened to claim damages due to loss of production if they do not receive yarn well in time.

Pakistan's spinning industry is being viewed as unreliable supplier and the foreign customers are planning to move away. Similarly, annual production plans of spinning mills, followed by purchase of machinery and raw materials are likely to incur heavy losses due to the imposition of export quota.

(Continue . . .)

Textile Exports

Furthermore, a sheer negation of Free Market Mechanism may make huge investments by spinners as redundant and volume of Non Performing Loans is likely to increase manifold. A good number of spinning mills have consumed inventories of cotton and are buying/importing cotton on existing escalating price trends.

Imposition of quota would force closure of at least 100 mills in first instance as the mills would be unable to sustain provision of cheap yarn to a few opportunists in value added sector by importing costlier cotton themselves.

APTMA officials urged the government to lift ban on exports of quota immediately in larger interest of industry and country's exports. Textile industry should not be deprived of right of free market mechanism by pressure exerted by the apparel sector in any case.

Weekly Sales Report

Crop Year 2009-10

PUNJAB

Punjab Stations	*Total Bales*
Ali Pur	800
Fort Abbas	400
Noorpur Naranga	600

SINDH

Sindh Stations	*Total Bales*
Daharki	1400
Expoter	500
Mehrabpur	400
Mills	5400
Mirpur Mathelo	600
Mirpurkhas	200
Ranipur	350