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# **Report Name:** Cotton and Products Annual

**Country:** Pakistan

**Post:** Islamabad

**Report Category:** Cotton and Products

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**Report Highlights:**

Driven by a minor increase in area and assuming average yields, cotton production is expected to increase somewhat in 2025/26. With expectations for continued strong export demand, domestic use is forecast to grow modestly in 2025/26. Despite the increased use, the expected boost in local production is forecast to result in a decrease in imports from the record level anticipated in 2024/25. Absent a change in tax policy, the trends of widespread underreporting of production and rising yarn imports, especially from China, are expected to continue in 2025/26.

**Executive Summary**

With expectations for a minor increase in area and based on five-year average yield of 570 KG/HA (excluding the flood-affected 2022/23 yield), production is projected to reach 5.5 million bales in 2025/26, which would be 6 percent higher than in 2024/25. Assuming continued robust textile export demand, cotton use during 2025/26 is expected to reach 10.5 million bales.

The Export Facilitation Scheme (EFS), amended in 2024, exempts imported raw cotton, yarn, and fabric from the 18 percent general sales tax (GST). However, textile manufacturers must pay the 18 percent GST for locally produced cotton product inputs. While textile manufacturers can get the GST refunded on local cotton product input purchases, the rebate process is long and unreliable. This tax policy favoring imports resulted in an increase in cotton yarn imports in 2024/25, mainly from China. The textile industry is pressing the government to exempt local cotton and yarn from the 18 percent GST. Continuation of the tax differentiation policy will be a challenge for local cotton producers and independent non-vertically integrated spinners in 2025/26. The collection of GST on locally produced cotton caused ginners and collectors to underreport a high percentage of the 2024/25 crop, a trend likely to persist during the 2025/26 harvest season.

The anticipated increase in domestic production and large carry-over stocks will slightly outstrip the forecast growth in domestic use; as a result, cotton imports are forecast to fall in 2025/26, but remain at a historically high level.

**Production**

Cotton production in 2025/26 is forecast at 5.5 million (480 lb) bales, which would be 6 percent higher than in 2024/25. The expected increase in production is based on a reported increase in area and assuming the five-year average yield, excluding the flood affected yield in 2022/23. Due to a sharp decline in local production in 2024/25, provincial and federal officials are determined to increase production and planting area this year. Nonetheless, significantly increasing area in 2025/26 will be a major challenge as growers, particularly in Punjab, were unsatisfied with returns from the 2024/25 crop. The lack of pest resistant seeds and adverse weather conditions negatively impacted yields and returns. In response, the Prime Minister established a Cotton Production Enhancement Committee to develop policies to incentivize 2025/26 cotton production. In addition, the government launched an early planting campaign, with a target of 640,000 hectares, consisting of 400,000 in Punjab and 240,000 in Sindh. The government is offering a $45 subsidy per hectare for every farmer who plants 2 hectares. In addition, the National Biosafety Committee recently approved triple-trait genetically engineered cotton varieties for planting.

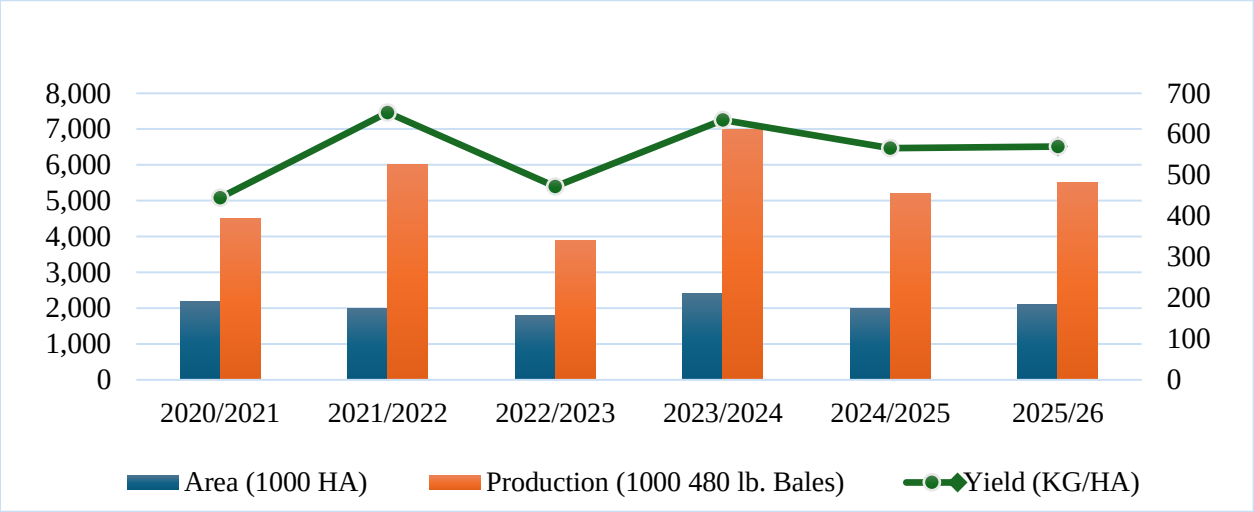
By mid-March, cotton planting had begun in Sindh and some parts of Punjab. However, low temperatures, particularly in Punjab, negatively impacted planting progress and germination. Early planting has progressed at a slower pace, but it is expected to accelerate in late March/early April as temperatures become more favorable.

After a 5-month dry spell, good rainfall in February 2025 helped to improve irrigation water supplies. However, current water reservoir levels are insufficient for the upcoming crop season and additional rains are needed. Absent replenishment of water storage, farmers may lack water and yields will be reduced. The current water shortage clouds prospects for a significant increase in cotton production in 2025/26.

The 2024/25 cotton crop collection is essentially complete, and ginners reported collecting 3.95 million bales, which is 34 percent less than in 2023/24. However, due to the imposition of the 18 percent GST tax on locally-product cotton at time of collection, cotton procurement at various points of the supply chain went unreported. Post estimates that 32 percent of the crop was undeclared, and the 2024/25 crop output estimate is 5.2 million bales.

While the GST on local cotton is refundable, the process remains lengthy and cumbersome. Unless the government eliminates the GST on local cotton—unlike cotton and yarn imports, which are exempt—underreporting of cotton production in the 2025/26 season is expected to remain widespread as market participants attempt to evade the tax. Furthermore, the differential GST policy is likely to sustain the increasing trend of cotton yarn imports, particularly from China.

**Figure 1: Cotton Area and Production Trends**

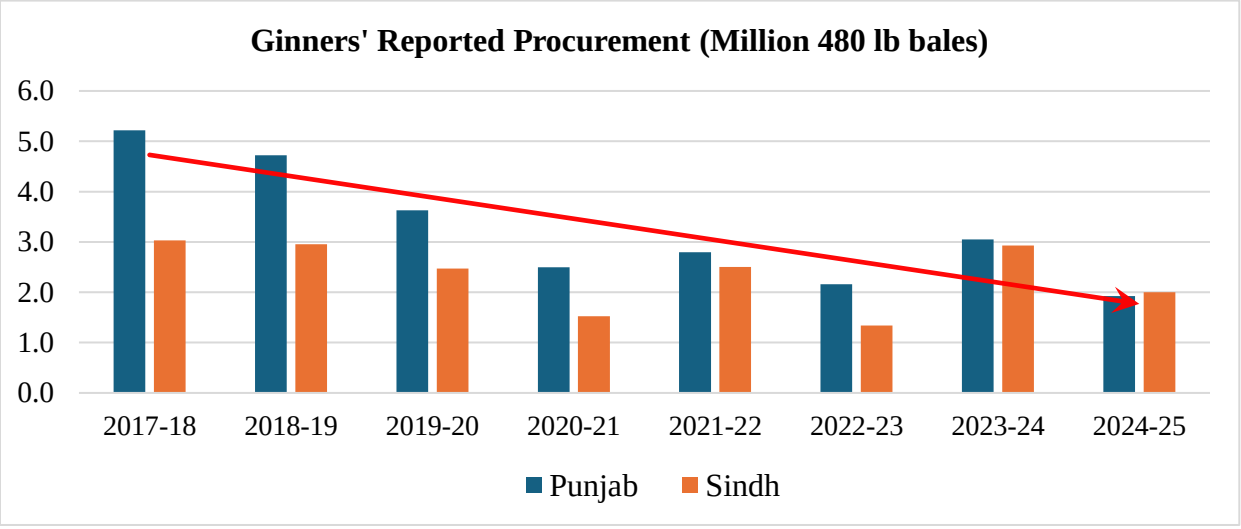



Source: USDA and Pakistan Bureau of Statistics

Production in Punjab, which once accounted for 65 percent of total cotton output, has been gradually declining, despite relatively stable planted area. Production in 2024/25 was the lowest output in 25 years (excluding the 2023/23 flood year), primarily due to the notable decline in Punjab's production. The figure below shows that Punjab's production declined from 5.2 million bales in 2017/18 to 1.9 million bales in 2024/25. This decline is due to fluctuating weather patterns, high pest pressure, and lack of improved seed varieties.

As mentioned above, this year Punjab's provincial authorities are seeking to revive provincial cotton production through encouraging early planting (to avoid late season pests and heat stress), planting in new areas, and providing improved seed.

**Figure 2: Decrease in Cotton Production in Punjab**




Source: Pakistan Cotton Ginners Association (PCGA)

**Table 1: Production, Supply, and Distribution (1,000 480 lb. Bales) (1,000 HA)**

| Cotton | 2023/2024 | | 2024/2025 | | 2025/2026 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Aug-23 | | Aug-24 | | Aug-25 | |
| Pakistan | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested (1000 HA) | 2,400 | 2,400 | 2,000 | 2,000 | - | 2,100 |
| Beginning Stocks (1000 480 lb. Bales) | 1,525 | 1,525 | 1,850 | 2,050 | - | 2,300 |
| Production (1000 480 lb. Bales) | 7,000 | 7,325 | 5,000 | 5,200 | - | 5,500 |
| Imports (1000 480 lb. Bales) | 3,200 | 3,050 | 5,500 | 5,500 | - | 4,900 |
| Total Supply (1000 480 lb. Bales) | 11,725 | 11,900 | 12,350 | 12,750 | - | 12,700 |
| Exports (1000 480 lb. Bales) | 175 | 150 | 50 | 50 | - | 50 |
| Domestic Use (1000 480 lb. Bales) | 9,700 | 9,700 | 10,300 | 10,400 | - | 10,500 |
| Loss (1000 480 lb. Bales) | 0 | 0 | 0 | 0 | - | 0 |
| Domestic Use and Loss (1000 480 lb. Bales) | 9,700 | 9,700 | 10,300 | 10,400 | - | 10,500 |
| Ending Stocks (1000 480 lb. Bales) | 1,850 | 2,050 | 2,000 | 2,300 | - | 2,150 |
| Total Distribution (1000 480 lb. Bales) | 11,725 | 11,900 | 12,350 | 12,750 | - | 12,700 |
| Stock to Use % (Percent) | 18.73 | 20.81 | 19.32 | 22.01 | - | 20.3 |
| Yield (KG/HA) | 635 | 665 | 544 | 566 | - | 570 |

**Table 2: Production, Supply, and Distribution (1,000 MT) (1,000 HA)**

| Cotton | 2023/2024 | | 2024/2025 | | 2025/2026 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Aug-23 | | Aug-24 | | Aug-25 | |
| Pakistan | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested (1000 HA) | 2,400 | 2,400 | 2,000 | 2,000 | - | 2,100 |
| Beginning Stocks (1,000 MT) | 333 | 333 | 404 | 447 | - | 502 |
| Production (1,000 MT) | 1,527 | 1,598 | 1,091 | 1,135 | - | 1,200 |
| Imports (1,000 MT) | 698 | 665 | 1,200 | 1,200 | - | 1,069 |
| Total Supply (1,000 MT) | 2,558 | 2,596 | 2,695 | 2,782 | - | 2,771 |
| Exports (1,000 MT) | 38 | 33 | 11 | 11 | - | 11 |
| Domestic Use (1,000 MT) | 2,116 | 2,116 | 2,247 | 2,269 | - | 2,291 |
| Loss (1,000 MT) | 0 | 0 | 0 | 0 | - | 0 |
| Domestic Use and Loss (1,000 MT) | 2,116 | 2,116 | 2,247 | 2,269 | - | 2,291 |
| Ending Stocks (1,000 MT) | 404 | 447 | 436 | 502 | - | 469 |
| Total Distribution (1,000 MT) | 2,558 | 2,596 | 2,695 | 2,782 | - | 2,771 |
| Yield (KG/HA) | 635 | 665 | 544 | 566 | - | 570 |

**Consumption**

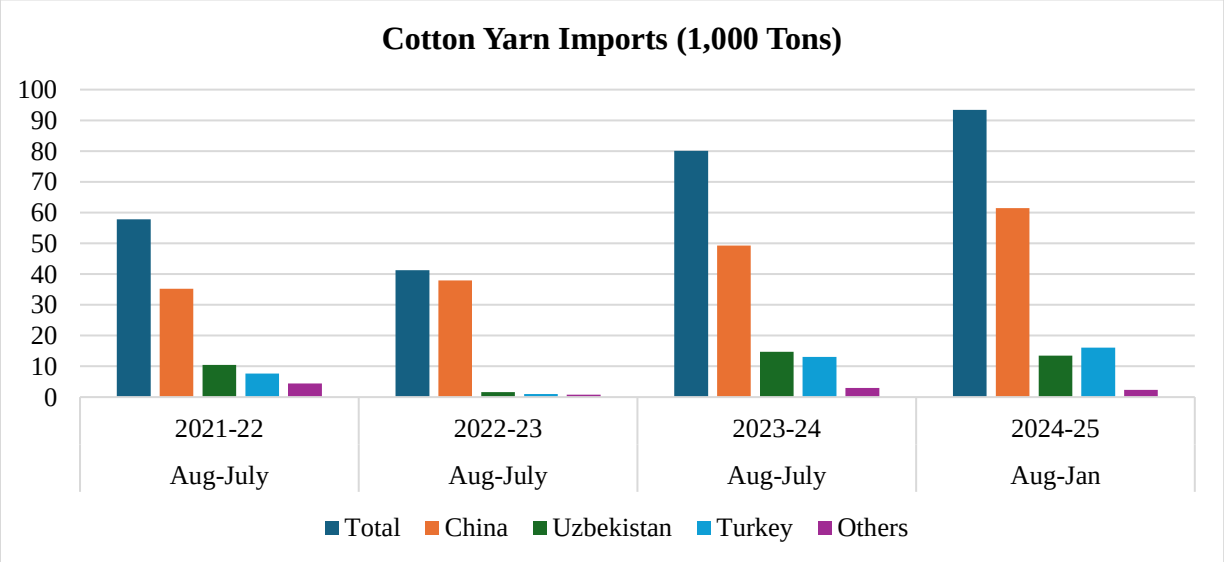
Cotton use during 2025/26 is expected to increase to 10.5 million bales, driven by continued robust textile product exports.

During the July 2024-January 2025 period, textile exports increased 10.7 percent. While all textile categories increased, growth has been particularly strong in cotton containing products, especially knitwear and household products. Moreover, local textile companies report continued strong export orders through the rest of 2025.

Unlike other textile categories, yarn exports have sharply declined, driven by a significant price gap between local and imported yarn. Furthermore, the EFS incentivizes cotton yarn imports and discourages domestic production by independent spinners. The surge in yarn imports has severely impacted independent local spinners, with many halting operations altogether. Yarn exports are projected to decline further in 2025/26, as independent spinners struggle to compete due to the differential GST on imports. The continuation of the differential GST policy is expected to sustain yarn imports, particularly from China, while suppressing domestic cotton usage.

The government recently reduced interest rates to 12 percent, and further reductions are expected in 2025. The lower rates will facilitate textile sector financing, investment, and have a positive impact on cotton use. While many plants have or are building their own energy sources, continued high energy costs, on the other hand, will be an ongoing drag on textile sector growth and cotton use through 2025/26.

**Figure 3: Cotton Yarn Imports (1,000 Tons)**




Source: Trade Data Monitor (LLC) and APTMA

**Trade**

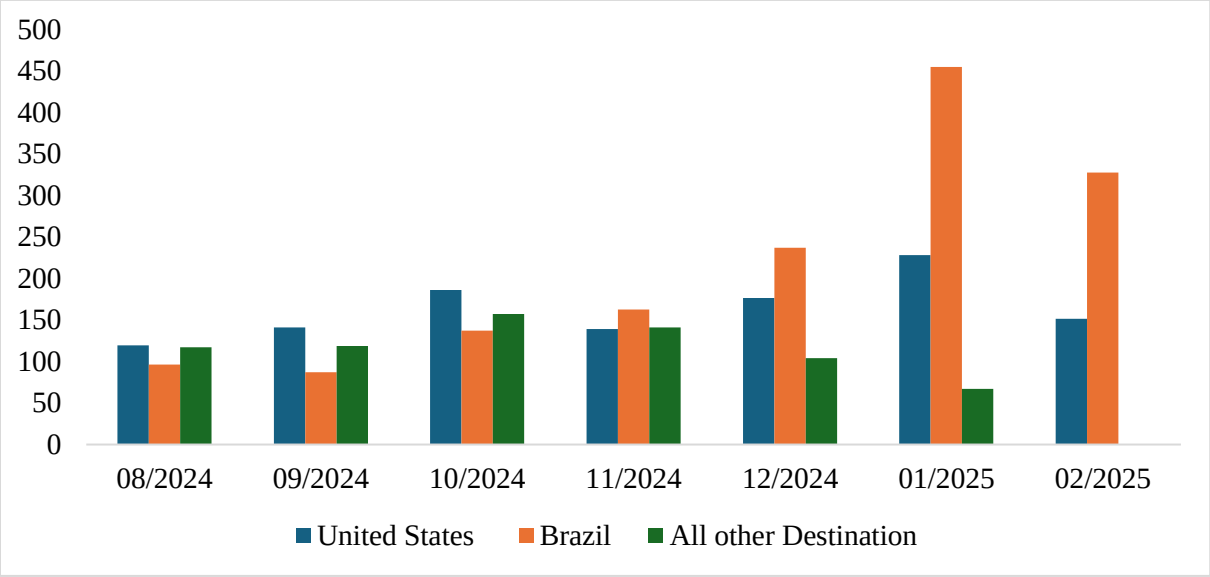
With the expected increase in domestic production and sufficient stocks, cotton imports are anticipated to decrease to 4.9 million bales in 2025/26. The 18 percent GST on locally purchased cotton will lead vertically integrated textile companies to continue favoring imported cotton. As part of the fiscal year (July/June) 2025/26 budget proposal process, the industry is pressing the government to modify the EFS to exempt locally purchased inputs from the GST.

Cotton imports during the first seven months of 2024/25 have already surpassed the total imports of 2023/24. Based on the pace of imports, the 2024/25 import forecast remains 5.5 million bales. The United States and Brazil are the top suppliers, with imports from these two sources at historically high levels. Domestic prices have been above landed import prices for several months, even during the height of the domestic collection. With domestic production expected to increase only modestly in 2025/26, the competitive import parity prices should persist.

Based on available final data, the 2023/24 cotton import estimate is adjusted to 3.05 million bales.

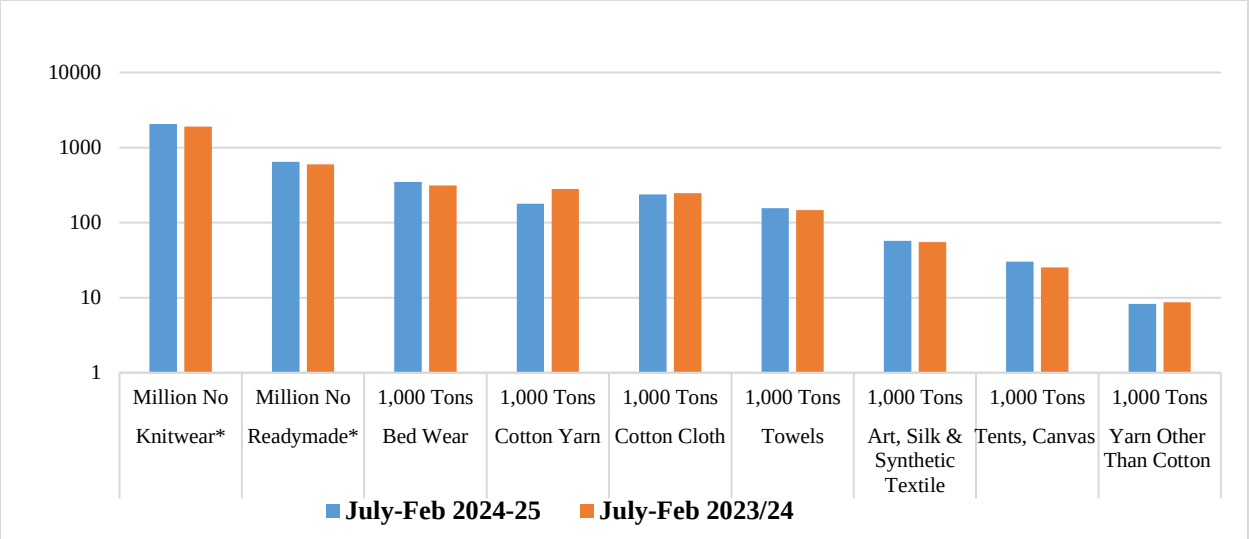
As mentioned above, textile exports have been robust during the first seven months of 2024/25, driving demand for cotton imports. All major textile categories experienced growth, with ready-made garments growing 21.9 percent, followed by knitwear and bedwear.

**Figure 4: Cotton Imports (1,000 Bales)**




Source, Trade Data Monitor (LLC)

**Figure 5: Textile Exports**




**Stocks**

Operators tend to keep no more than three months stock at any given time and ending inventories at the end of 2025/26 are projected below 25 percent of annual use.

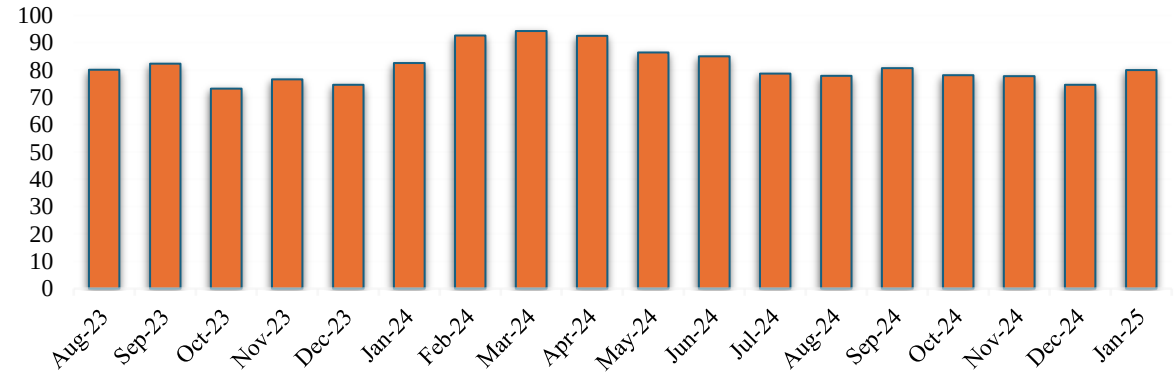
**Policy**

Since July 2024, under the EFS, the government exempted GST on exporters' purchases of imported cotton, yarn, cloth, and other raw materials. This made locally sourced materials less competitive compared to imports as textile companies still must pay the 18 percent GST on local inputs. As a result, cotton yarn imports, particularly from China, increased. Exporters who purchase locally produced inputs must pay an 18 percent GST and later apply for a refund upon export. However, the refund process is time-consuming and unpredictable. As mentioned above, the industry is pressing the government to review this policy as part of the 2025/26 budget formulation.

**Prices**

The chart below shows the trends in domestic cotton prices.

**Figure 6: Monthly Average Prices of Raw Cotton (Cents/Pound)**



Source: Karachi Cotton Association (KCA)

**Table 3. Cotton Import Matrix (1,000 Tons)**

| | Aug- July | Aug- July | Aug- July | Aug- Feb |
|---|---|---|---|---|
| | **2021/2022** | **2022/23** | **2023/24** | **2024/25** |
| United States | 351 | 426 | 295 | 250 |
| Brazil | 190 | 187 | 165 | 327 |
| Cote d'Ivoire | 126 | 55 | 27 | 26 |
| Afghanistan | 74 | 65 | 62 | 30 |
| Australia | 24 | 90 | 14 | 23 |
| Argentina | 33 | 12 | 20 | 18 |
| Turkey | 28 | 50 | 30 | 6 |
| Tanzania | 27 | 17 | 5 | |
| Benin | 14 | 5 | 2 | |
| Greece | 14 | 15 | 1 | |
| Togo | 13 | 3 | 4 | |
| EU 27 External Trade | 13 | 48 | 20 | 22 |
| Others | 64 | 9 | 20 | 25 |
| **Total** | **971** | **982** | **665** | **727** |

Source, Trade Data Monitor (LLC)

**Table 4: Cotton Yarn Exports (1,000 Tons)**

| | Aug- July | Aug- July | Aug- July | Aug- Feb |
|---|---|---|---|---|
| | **2021/2022** | **2022/23** | **2023/24** | **2024/25** |
| China | 184.1 | 186.2 | 246.5 | 39.4 |
| Bangladesh | 48.1 | 24.9 | 31.8 | 7.9 |
| Portugal | 14.6 | 12.8 | 10.1 | 1.7 |
| Turkey | 12.5 | 8.8 | 6.6 | 1.3 |
| Japan | 10.3 | 9.3 | 8.5 | 2.2 |
| Italy | 10.1 | 8.2 | 5.5 | 1.3 |
| United States | 8.8 | 5.1 | 5.4 | 1.5 |
| other | 47.4 | 39.7 | 26.1 | 5.9 |
| | 335.9 | 295.1 | 340.4 | 61.1 |

Source: Trade Data Monitor (LLC), HS Codes: 5204, 5205, 5206

**Table 5: Fabric Exports (1,000 Tons)**

| | Aug- July | Aug- July | Aug- July | Aug- Oct |
|---|---|---|---|---|
| | 2021/2022 | 2022/23 | 2023/24 | 2024/25 |
| Bangladesh | 56 | 49 | 72 | 24 |
| Turkey | 20 | 18 | 21 | 4 |
| Italy | 20 | 22 | 18 | 5 |
| Portugal | 15 | 11 | 13 | 3 |
| Germany | 13 | 9 | 7 | 2 |
| Netherlands | 11 | 9 | 7 | 2 |
| United States | 9 | 11 | 13 | 4 |
| China | 9 | 10 | 12 | 2 |
| Other | 82 | 83 | 96 | 25 |
| **Total** | **235** | **222** | **258** | **72** |

Source: Trade Data Monitor (LLC), HS Codes: 5208, 5209

**Table 6: Textile Group Exports**

| Sectors | Unit | July-Feb | July-Feb | % Change |
|---|---|---|---|---|
| | | 2024-25 | 2023/24 | |
| Raw Cotton | MT | 433 | 30852 | -99 |
| Cotton Yarn | MT | 179,274 | 279590 | -36 |
| Cotton Cloth | MT | 237,785 | 247,339 | -4 |
| Cotton Carded/Combed | MT | 2 | 372 | -99 |
| Yarn Other Than Cotton | MT | 8270 | 8680 | -5 |
| Knitwear | Million (No) | 205 | 189 | 8.6 |
| Bed Wear | MT | 349,119 | 311,616 | 12 |
| Towels | MT | 154,977 | 146,364 | 6 |
| Tents, Canvas, Tarpaulin | MT | 30,098 | 25,257 | 19 |
| Readymade Garments | Million (No) | 697 | 595 | 8.5 |
| Silk, Synthetic Textiles | MT | 57,160 | 54,775 | 4 |

**Source: Pakistan Bureau of statistics**

**Attachments:**

No Attachments