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Report Name: Cotton and Products Update

Country: Pakistan

Post: Islamabad

Report Category: Cotton and Products

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Report Highlights:

The cotton production forecast for 2024/25 has been revised downward to 5.2 million bales, with the area unchanged at 2 million hectares.

Production and Area

The cotton production forecast for the 2024/25 season is revised to 5.2 million bales (480 lbs.) marking a 28 percent decline compared to production in 2023/24. This sharp drop is due to a 17 percent decline in area harvested and a 15 percent decline in yield. The production decline was particularly sharp in Punjab province. As noted in previous reports, cotton area was lower this year as farmers shifted to crops with the potential for greater returns, particularly rice and corn. The cotton crop was negatively impacted by frequent heatwaves, especially early in the season, and untimely rains, which delayed growth and led to late harvesting in some areas. South Punjab, traditionally the center of cotton cultivation, experienced a large decline in yields due to severe pest outbreaks.

In the first few months of the 2024/25 collection season, as much as 30 percent of cotton output delivered to ginners went unreported as operators throughout the supply chain sought to avoid taxes. In response, beginning in August, the government took steps to ensure that a higher percentage of cotton collected and ginned was officially reported. As a result, according to official reports, the pace of cotton delivered to ginners in October and early November increased. The current production estimate reflects Post's estimate that 15 percent of cotton delivered to ginners remains unreported.

As of mid-November, ginners had received 3.48 million bales (480 lbs.) a 33 percent decrease compared to the same period last year. Out of this total, 1.88 million bales (480 lbs.) were received in Sindh and 1.6 million bales (480 lbs.) in Punjab. However, Punjab's Crop Reporting Service, as of November 15, 2024, indicated that total production had reached 2.63 million bales (480 lbs.), which is 30 percent higher than the amount reported by ginners up to November 18, 2024.

To address the domestic shortfall, the government has been encouraging cotton cultivation in Baluchistan, where the climate is sometimes more favorable for cotton farming. Pest management is also viewed as more manageable in Baluchistan compared to traditional cotton-growing areas. Area dedicated to cotton farming during 2024/25 in Baluchistan increased 55 percent compared to 2023/24. Nonetheless, area planted was only around 120,000 million hectares, well short of the government's target of 800,000 hectares. Despite the emphasis on increasing cotton output in the province, Baluchistan contributes less than 5 percent of Pakistan's total cotton production.

The production estimate for 2023/24 is revised to 7.325 million bales (480lbs.) based on an updated estimated of the amount of unreported cotton ginned. Post assumes that 20 percent of total cotton production was not included in the official ginners' reports.

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

Cotton	2022/2023		2023/2024		2024/2025	
Market Year Begins	Aug 2022		Aug 2023		Aug 2024	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,800	1,800	2,400	2,400	2,000	2,000
Beginning Stocks	1,925	1,925	1,525	1,525	1,850	2,250
Production	3,900	3,900	7,000	7,325	5,500	5,200
Imports	4,500	4,500	3,200	3,000	4,000	4,000
Total Supply	10,325	10,325	11,725	11,850	11,350	11,450
Exports	100	100	175	100	50	50
Domestic Use	8,700	8,700	9,700	9,500	9,500	9,700
Loss	0	0	0	0	0	0
Domestic Use and Loss	8,700	8,700	9,700	9,500	9,500	9,700
Ending Stocks	1,525	1,525	1,850	2,250	1,800	1,700
Total Distribution	10,325	10,325	11,725	11,850	11,350	11,450
Stock to Use %	17	17	19	23	19	17
Yield (KG/HA)	472	472	635	665	599	566

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

Cotton	2022/2023		2023/2024		2024/2025	
Market Year Begins	Aug 2022		Aug 2023		Aug 2024	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,800	1,800	2,400	2,400	2,000	2,000
Beginning Stocks	420	420	333	333	404	491
Production	851	851	1,527	1,598	1,200	1,135
Imports	982	982	698	655	873	873
Total Supply	2,253	2,253	2,558	2,585	2,476	2,498
Exports	22	22	38	22	11	11
Domestic Use	1,898	1,898	2,116	2,073	2,073	2,116
Loss	0	0	0	0	0	0
Domestic Use and Loss	1,898	1,898	2,116	2,073	2,073	2,116
Ending Stocks	333	333	404	491	393	371
Total Distribution	2,253	2,253	2,558	2,585	2,476	2,498

Consumption

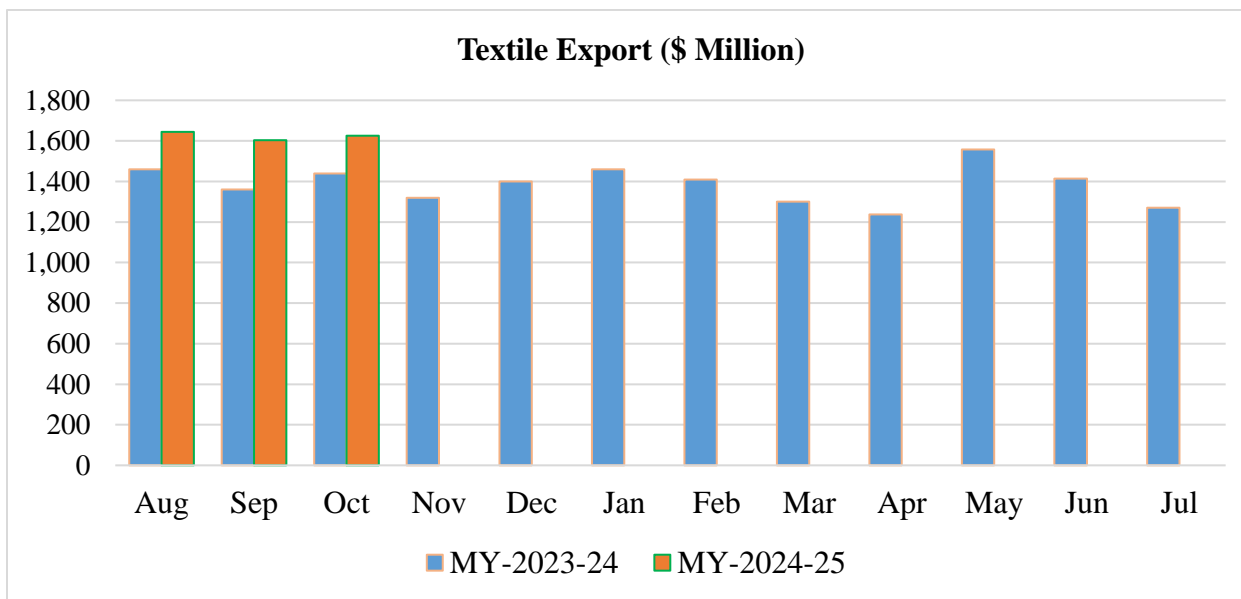
Driven by expectations for a continued rebound in finished textile exports, the cotton use forecast for 2024/25 is increased to 9.7 million bales. Textile exports during the first quarter of 2024/25 were the highest of any quarter since September 2022.

Despite ongoing concerns about new taxes, high energy and financing costs, and reports of some mills halting operations, the increased pace of exports indicates renewed strength in textile sector performance and in cotton demand.

Trade

The 2024/25 cotton import forecast remains unchanged at 4 million bales. The rejuvenation in export demand for finished textiles and lower domestic cotton output are factors supporting cotton import demand.

Figure 1: Textile Exports (\$ Million)



Government Policy

The 2024 federal budget included a new tax on agricultural income to be collected by each province. This is a significant shift in Pakistan's tax policy, as agricultural income had been exempted from taxation. So far, the Punjab provincial government was the first and only province to announce an agricultural income tax law. The other provinces have yet to pass an agricultural tax but have committed to do so.

Under Punjab’s law, taxes will be collected on agricultural incomes exceeding Rs 600,000 (\$2,150) per year. The new taxes are supposed to begin January 2025. If imposed, the new taxes will add another financial burden to farmers, who are already struggling with rising input costs, energy prices, and fluctuating weather patterns. This new agriculture income tax will likely also lead to even more cotton production going unreported as producers seek to avoid paying the income tax.

Prices

Domestic cotton supplies in Pakistan are short, leading to domestic cotton prices at or above imported cotton parity prices. As a result, large spinning mills are increasingly turning to imported cotton. In November, the spot price for cotton in Pakistan was around 80 cents per pound, with domestic prices ranging between 42,000 and 45,000 rupees per metric ton (approximately 162 USD/MT).

Table 3. Import Matrix (1,000 Tons)

	Aug- July	Aug- July	Aug- July	Aug- Oct
	2021/2022	2022/23	2023/24	2024/25
United States	351	426	294	98
Brazil	190	187	165	70
Cote d'Ivoire	126	55	27	20
Afghanistan	74	65	51	
Australia	24	90	14	11
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	2
Others	64	9	20	
Total	971	982	653	225

Source, Trade Data Monitor (LLC) and USDA

Attachments:

No Attachments