



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 9/24/2001

GAIN Report #PK1022

## **Pakistan**

### **Cotton and Products**

#### **Cotton Update**

## **2001**

Approved by: **Jim Dever, Ag Counselor**    **U.S. Embassy Islamabad, Pakistan**  
Prepared by: **Asif Farrukh, Ag Specialist**    **U.S. Embassy Islamabad, Pakistan**

---

#### **Report Highlights:**

**Despite early season drought, good monsoon rains and an increase in area are expected to result in Pakistan's third consecutive bumper cotton crop, currently forecast at 1.81 million metric tons. Domestic cotton consumption is forecast to increase during MY 2001/02, albeit at a slower pace, due to increased export demand for Pakistani yarns and textiles. Pakistan is forecast to be a net cotton importer, as imports necessary to compete in quality markets are expected to exceed exports, which will be hampered by high domestic prices.**

---

Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Islamabad [PK1], PK

## PRODUCTION

Pakistan's MY 2001/02 cotton production forecast remains unchanged at 1.81 million metric tons. Good monsoon rains and increased area are two the main factors contributing to Pakistan's third consecutive bumper cotton crop. The Ministry of Food, Agriculture and Livestock's (MINFAL) first area estimate indicates cotton area increased 7 percent compared to the previous year's, particularly in southern Punjab, where farmers substituted cotton for rice due to the poor returns earned from rice during the past two years as well as to the drought and fears of continued water shortages.

Crop conditions in the Punjab are varied as a result of pest problems during July and August. Early monsoon rains and cooler than normal temperatures resulted in less flower shedding than normal. However, the high humidity caused by the early rains promoted a rapid increase in pests and caused significant damage in about 60 percent of Punjab's cotton-growing districts. Estimated yield losses range from 10-to-50 percent, depending on the district. Because pests appeared much earlier than usual, farmers generally were slow to react. Additional losses can be minimized as long as farmers continue to take timely action.

Despite late planting and limited early season irrigation supplies, crop conditions in Sindh (which produces about 20 percent of the total crop) are generally better than last year. To date, pest problems have been well below normal in Sindh.

**Table 1: Cotton production, Supply and Demand**

PSD Table						
Country	Pakistan					
Commodity	Cotton					
					(HECTARES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		08/1999		08/2000		08/2001
Area Planted	0	0	0	0	0	0
Area Harvested	2915000	2915000	292800	2927500	3000000	3130000
Beginning Stocks	372530	372530	586990	586990	559775	616301
Production	1872448	1872448	1785358	1785358	1807130	1807130
Imports	103420	103420	76204	119750	130636	130636
TOTAL SUPPLY	2348398	2348398	2448552	2492098	2497541	2554067
Exports	90357	90357	141522	128542	97977	97977
USE Dom. Consumption	1665608	1665608	1741812	1741812	1807130	1807130
Loss Dom. Consumption	5443	5443	5443	5443	5443	5443
TOTAL Dom. Consumption	1671051	1671051	1747255	1747255	1812573	1812573
Ending Stocks	586990	586990	559775	616301	586991	643517
TOTAL DISTRIBUTION	2348398	2348398	2448552	2492098	2497541	2554067

## **CONSUMPTION**

MY 2000/01 cotton consumption is expected to increase an estimated 5 percent compared to MY 1999/2000, due largely to increased export demand for yarns and textiles. Actual domestic cotton consumption for the first ten months of MY 2000/01 (August/May) is reported to be 1.39 MMT.

Pakistan's yarn and textile industry is the fourth largest in the world and earnings from yarn and textile exports are the main source of Pakistan's foreign exchange earnings. The industry is in the process of expanding as well as improving quality in an effort to take advantage of WTO reforms in world textile trade. During Pakistani FY 2000/2001 (July/June), the industry invested \$359 million in new equipment (mainly from China) to expand and upgrade production. This represents a 70-percent increase over investment in PFY 1999/2000.

In addition to equipment, Pakistan is expected to import increasing amount of better grade cotton, including both upland and extra long staple (ELS) cotton, in order to improve the quality of its products. In a few short years, Pakistan has emerged as a major importer of ELS cotton, particularly U.S. Pima. In addition, Pakistan imports increasing amounts of upland cotton, partly in order to obtain grades and staple lengths not grown locally but also to avoid problems with local cotton which increasingly is contaminated with non-cotton fibers during harvest and ginning. The local industry increasingly finds it easier to import non-contaminated cotton than to risk problems with local cotton. In an effort to correct the problem, the government has initiated a program to eliminate the sources of contamination (burlap and poly harvest bags and poor post-harvest storage).

## **TRADE**

Pakistan is forecast to be a net cotton importer during MY 2001/02. In addition to importing grades and lengths not produced locally, Pakistan is a growing importer of ELS cotton (in order to produce better quality products and expand exports to higher-end markets) and upland cotton (due to problems of contamination with local cotton). Given the forecast increase in consumption, Pakistan is expected to have only limited exportable supplies. Exports may be hampered by the contamination problem as well as by prices -- currently Pakistan's domestic cotton prices are above world price levels.

Pakistan's MY 2000/01 cotton import estimate has been increased to 120,000 MT. Imports accelerated during the second half of the MY 2000/01 when increasing domestic prices made imports more attractive.

## **STOCKS**

Ending stocks are forecast to increase slightly in both MY 2000/01 and MY 2001/02 due largely to the lack of price competitiveness of Pakistani cotton on world markets.