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Report Highlights:

Pakistan's Marketing Year (MY) 2020/21 cotton production is forecast at 6.3 million 480 pound (lb.) bales, down 100,000 bales from the revised 2019/20 estimate and 21 percent less than last year's annual projection of 8 million bales. This projected lower production is due to a 12 percent decrease in area from the previous year. About 95 percent Pakistan's cotton crop is bio-engineered. Textile mill consumption is forecast slightly higher at 11 million bales as demand for cotton products is expected to rise due to the ongoing trade situation between the United States and China and an extension of GSP preferences by the European Union. Pakistan government support for the textile sector also enhanced textile exports. With mills insisting on higher-grade quality cotton supplies to meet demand for higher quality products, imports are forecast at 4.5 million 480 lb. bales, eight percent higher than last year.

Cotton Overview:

Cotton is an important cash crop and lifeline of Pakistan's textile industry. The cotton crop is planted on 14 percent of arable land during the "Kharif" or monsoon season from April to June. Production is concentrated in two provinces with Punjab accounting for nearly 60 percent and Sindh nearly 40 percent of plating area. For the most part, cotton is produced by small farmers cultivating less than five hectares of land. An estimated 1.5 million farmers grow cotton.

The textile sector is the largest industrial sector in Pakistan and accounts for about 40 percent of the industrial labor force and employs 10 million people. This sector also generates eight percent of Gross Domestic Product and over 50 percent of foreign exchange earnings, largest of any other product. The integrated cotton and textile sector include 1,050 ginneries, 430 textile mills, and 350 cottonseed crushers and oil refiners.

Production:

Pakistan's MY (Aug/Jul) 2020/21 cotton production is forecast at 6.3 million 480 lb. bales (8 million 170 kg bales or 1.37 million metric tons (MMT)). Farmers' planting decisions are driven by expected prices in addition to factors such as relative cost of production from competing crops, input availability, and government support. This year, the area devoted to cotton is projected to decrease to 2.2 million hectares (MHA), 12 percent lower than the last year mainly due to a shift to other remunerable crops like corn, rice, and sugarcane. Cotton area is expected to decline mainly due to the potential threat of pest attack, uncertain weather conditions, followed by insufficient availability of certified seed. Last year, the cotton crop faced unfavorable conditions during optimum seed setting time. Industry contacts report that seed germination will be a major problem to maintain plant population as field tests show the range of 40 to 60 percent germination against the normal requirement of more than 80 percent. Realizing the seed quality and germination issues, the government has relaxed the official germination standards to 50 percent against 80 percent, which is normally enforced during normal years. Under the current situation, the farmers must use double the seed to maintain plant population.

Cotton planting in Sindh is expected to begin late March while the main producing province of Punjab is anticipated to start in early April 2020. Provincial officials prohibit planting prior to April 1, 2020 to counter the timing of pink bollworm activity in cotton producing areas.

Cotton yields are expected to recover from the last year as only core cotton farmers are expected to grow cotton and will be utilizing their experiences to enhance productivity. Borderline farmers will shift to other more profitable crops. Based on sufficient rainfall during February- March and heavy winter snowfall, the water availability is expected to remain normal for ensuing summer crops. MY 2020/21 yield is projected at 623 kg per hectare, 8 percent higher than the current year's estimate of 575 kg per hectare. There are a number of factors that affect yields including the following:

- Changing weather conditions - unexpected rainfall and temperature changes at critical stages of crop growth puts heavy toll on crop productivity.

- The narrow genetic base of cotton germplasm is prone to insect and diseases and is one of the major factors influencing crop productivity in the country.
- Pakistan relies on a back-crossed 17-year-old biotechnology event, one that is less virulent against bollworms and other diseases.
- “Sucking insects” such as white fly continues to spread cotton leaf curl virus (CLCV), “chewing insects” such as pink boll worm impairs cotton quality, lowers yield, and requires farmer vigilance.
- Threat of locust attack is also looming in cotton producing areas bordering Cholistan in Sindh and Thar in Punjab.
- Cotton seed quality is a perpetual issue with low germination rates and weak certification.

Factors that are supportive of higher yields include:

- The major cotton-producing provinces of Punjab and Sindh are expected to approve 6-8 new seed varieties that seem to be liked by farmers. Field sources reveal that the supply of certified seed is significantly lower as compared to last year.
- Farmers are increasingly aware of the risks associated with the weak expression of the Bt gene in local cotton plants and the need to monitor for bollworms. They are also increasingly attuned to the damage of “sucking” and “chewing” insects.
- The government continues to heavily subsidize the supply of inputs like seed, fertilizer, water, and power for farmers.

MY 2019/20 production is estimated at 6.6 million 480 lb. bales, 13 percent lower than the previous year’s production of 7.6 million 480 lb. bales. This estimation is based on near-final arrival data from the Pakistan Cotton Ginners Association. This production was realized from 2.5 million hectares; 9 percent higher over the previous year. The key factors resulting in the lower production were extremely high temperatures during the critical month of September 2019, which hampered the development of fruiting bodies, severe attacks of whitefly and pink boll worms, and lower seed cotton prices. Both area and production are based on official estimates from the Pakistan Bureau of Statistics (PBS).

Pakistan mainly produces medium staple cotton. Lint quality continues to be an issue within the industry based on the quality of the picking and ginning that result in varying bales sizes and high levels of foreign matter. Additionally, farmers often plant multiple varieties as a hedge against poor germination rates. Hence, identifying specific grades or properties from a particular variety is not done.

Status of *Bacillus thuringiensis* (Bt) Cotton:

On March 11, 2020, under the Prime Minister's orders, the Ministry of National Food Security and Research engaged various cotton technology providers and regulators to evaluate technologies and work out an expected timeline to introduce effective cotton seed technology in the country.

Through the proposed biotechnology and seed regulatory structure, investment and implementation is expected to facilitate the introduction of improved cotton seed in the country. This structure is dependent on three key regulations: the 2005 [Biosafety Rules](#), [Seed Amendment Act of 2015](#), and [2018 Plant Breeders Rights Act](#). The introduction and enforcement of the amended Seed Act and the Plant Breeder's Rights Act will be key to fully modernizing the sector by providing necessary intellectual property protection. Under the proposal, Pakistan's public sector research institutions will be able to sell intellectual property rights (IPR) to agricultural firms and raise funds for their research and development. In addition, plant breeders in public research systems will have much greater incentive to develop innovative seed technologies. In Pakistan, the first Bt cotton was informally introduced about 15 years ago and quickly spread before a regulatory or intellectual property system was in place to regulate it. That older event, which now covers an estimated 95 percent of cotton area, continues to dominate the biotech cotton sector, presenting a challenge to farmers due to backcrossing, weak gene expression, and growing ineffectiveness against bollworms, particularly pink bollworms. At present more than 80 Bt cotton varieties possess the single gene i.e. Cry1Ac (MON531 event) and are available to farmers whereas other seed varieties having double genes i.e. Cry1Ac + Cry2Ab (CEMB-2 event) are in the approval pipeline. One institute is in the preliminary stages of introducing a triple gene cotton variety, the success of which is anticipated to pave the way for increased cotton production in the country.

Consumption:

MY 2020/21 consumption is forecast at 11 million 480 lb. bales (14 million 170 kg bales or 2.39 MMT). Marginal increase in cotton consumption is largely due to the shift of business away from China due to the current U.S.-China trade situation. Industry sources are also hopeful that improved energy supplies will be helpful in managing orders timely. In addition, the European Union has extended the Generalized System of Preferences "Plus" treatment for Pakistan for another two years which could also lend some support to higher consumption.

Cotton continues to face competition from other man-made fibers and manufacturers in Asia. Still, textiles continue to play an important role in Pakistan's economy. The textile sector is the largest industrial sector in Pakistan and accounts for about 40 percent of the industrial labor force and employing 10 million people. Increased foreign investment in Pakistan's energy and infrastructure sectors could help spur the future growth of Pakistan's textile sector.

Trade:

Pakistan is a net importer of cotton, primarily due to strong demand for better grades of cotton for blending and producing export-oriented quality textile products. Typical imports include upland and

long staple cotton, as well as medium staple cotton, to augment domestic supplies for processing and re-export. Pakistan's imports during MY 2020/21 are projected at 4.55 million bales of 480 lb. Despite sizeable imports, Pakistan continues to export small volumes of cotton during harvest and 2020/21 exports are forecast at 100,000 480 lb. bales. 2018/19 trade estimates reflect official data.

Cotton Trade Statistics: MY 2017/18 to 2019/20

(Quantity in Metric Tons)

MONTH/YEAR	IMPORTS			EXPORTS		
	MY 2017/18	MY 2018/19	MY 2019/20	MY 2017/18	MY 2018/19	MY 2019/20
August	2,122	7,126	3,358	4,531	1,493	2,677
September	2,860	6,247	2,142	12,500	2,029	1,643
October	10,012	8,220	5,548	7,901	2,988	974
November	16,099	9,896	8,990	4,648	919	1,544
December	15,651	12,272	14,620	1,915	163	806
January	51,338	9,399	67,698	1,074	230	420
SUB TOTAL	98,082	53,160	102,356	32,569	7,822	8,064
February	111,873	73,212		377	527	
March	100,454	68,556		165	307	
April	96,580	85,083		476	1,701	
May	100,137	60,345		631	207	
June	94,301	44,580		432	906	
July	23,630	14,562		570	2,660	
TOTAL	625,057	399,498	102,356	35,220	14,130	8,064

Source: Pakistan Bureau of Statistics (PBS), Government of Pakistan

Policy:

Pakistan maintains minimal tariff restrictions on cotton imports. However, there is a tendency to impose tariffs during harvest and to limit the flow of cotton across the land border with India. During July to December 2019, the Government imposed a tariff of 4 percent and a sales tax of 5 percent on imported cotton, but exempted domestic cotton from the sales tax. The tariff and sales tax were dropped to zero for imported cotton starting in January 2020 to facilitate supplies to the textile sector. Imports of cotton from India have dropped almost to zero due to border tensions and resulted in Pakistan turning to other international cotton suppliers.

On February 24, 2020, the Prime Minister of Pakistan chaired a high-level meeting in Islamabad to review Pakistan's cotton policy. The Prime Minister maintained that the cotton crop plays an important role in Pakistan's economy and directed officials to strengthen the Pakistan Central Cotton Committee (PCCC) and introduced a host of regulatory amendments and recommendations including the following:

- In order to strengthen research in the cotton sector, it was decided to give autonomy to the Pakistan Central Cotton Committee (PCCC) through its restructuring and effective private sector representation. After restructuring, the PCCC would consist of senior representatives of the

Ministries of National Food Security and Research (MNFSR), Textile, provincial secretaries for agriculture, four representatives of textile sector, two representatives of cotton ginner, representatives of cotton traders, two representatives of seed producers, four representatives of farmers, one expert and a chief executive. In order to make PCCC an effective institution, the government and the All Pakistan Textile Mills Association (APTMA) agreed on the issue of Cotton Cess and ensuring the provision of required financial resources to the PCCC.

The government also decided to establish a Research Endowment Fund for the PCCC and approved a timelines-based roadmap and all other measures for improvement in the research sector, including an amendment in the Cotton Cess Act 1923, removing the shortage of skilled manpower etc.

- The government decided to bring in reforms in the seed sector and make the process of seeds approval easy and faster. It also approved the strategy to control the insecticides which hurt the cotton crop in a big way.
- In order to introduce transgenic technology, the government also decided to form a high-level Cotton Technology Steering Committee. In this regard an Executive Committee led by the Secretary MNFSR would present its recommendations to the steering committee headed by the Prime Minister.
- For the resolution of issues among the federal and provincial governments pertaining to seeds, the government decided to establish a committee comprising representatives of federal and provincial governments.
- The government also gave its nod to a mechanism for fast and easy approval of seed varieties. It approved essential measures regarding the upcoming 2020 cotton season.
- For the assessment of indicative cotton price, the government decided to establish a committee consisting of secretaries of National Food Security, Finance, Commerce and Textile, and other private sector stakeholders (APTMA, ginner and farmer), which would present its recommendations before the start of 2020 cotton season.

The Prime Minister and representatives of APTMA, farmer, seed industry and other relevant stakeholders expressed their complete satisfaction over the approval of roadmap for the revival of cotton sector and assured their full support for the government's efforts.

Along with sugarcane, wheat, and rice, cotton is considered one of the key crops in Pakistani agriculture and these farmers benefit from subsidized fertilizer, power, and seeds. Despite government support, yields are below what seems possible given the fact that much of the crop is irrigated. Improved germplasm and seed quality are key to enhancing productivity, along with improved incentives from ginner and spinner for improved cotton quality along the value chain.

Production, Supply and Demand Data Statistics:

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug 2018		Aug 2019		Aug 2020	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	2300	2300	2500	2450	0	2200
Beginning Stocks	2830	2830	2495	2495	0	2470
Production	7600	7600	6600	6200	0	6300
Imports	2850	2850	4200	4400	0	4550
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	13280	13280	13295	13095	0	13320
Exports	60	60	100	100	0	100
Use	10700	10700	10800	10500	0	11000
Loss	25	25	25	25	0	25
Total Dom. Cons.	10725	10725	10825	10525	0	11025
Ending Stocks	2495	2495	2370	2470	0	2195
Total Distribution	13280	13280	13295	13095	0	13320
Stock to Use %	23.19	23.19	21.74	23.3	0	19.77
Yield	719	719	575	551	0	623
(1000 HA) ,1000 480 lb. Bales, (PERCENT) ,(KG/HA)						

Attachments:

No Attachments