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Report Name: Cotton and Products Annual

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Report Highlights:

With expectations for no change in area, and assuming average yields, cotton production is forecast to decline in 2024/25. Given prospects for an increase in cotton textile exports, domestic use is forecast to increase in 2024/25. As a result of the expected lower domestic production and higher domestic use, imports are forecast to increase marginally during 2024/25. High energy and finance costs will continue to constrain the textile sector's growth through 2024/25.

Executive Summary

With expectations for no change in area and based on five-year average yield of 598 KG/HA (excluding the flood-affected 2022/23 yield), production is forecast to reach 6.59 million bales. Export demand for Pakistan's textile products is expected to increase modestly in 2024/25. The textile sector faces many challenges, but with expectations of slightly enhanced export demand, cotton use during 2024/25 is expected to increase marginally to 9.8 million bales. Nonetheless, use is still forecast to remain well below the previous 10-year average and the peak of 10.9 million bales in 2020/21.

With the expected decrease in domestic production, and only a small increase in use, imports in 2024/25 are forecast to be 3.2 million bales, slightly higher than in 2023/24.

In the first six months of 2023/24, the textile sector struggled due to sluggish export demand and high finance and energy costs. However, textile exports rebounded during first two months of 2024. Total export value in February 2024 was 20 percent above February 2023. The slowdown in domestic textile output during the first six months was reflected in the slow pace of cotton imports, which declined 65 percent through the first 6 months of 2023/24.

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	0	2,400
Beginning Stocks	1,925	1,925	1,525	1,525	0	1,800
Production	3,900	3,900	6,700	6,850	0	6,590
Imports	4,500	4,500	3,400	3,000	0	3,200
Total Supply	10,325	10,325	11,625	11,375	0	11,590
Exports	100	100	75	75	0	75
Domestic Use	8,700	8,700	9,800	9,500	0	9,800
Loss	0	0	0	0	0	0
Domestic Use and Loss	8,700	8,700	9,800	9,500	0	9,800
Ending Stocks	1,525	1,525	1,750	1,800	0	1,715
Total Distribution	10,325	10,325	11,625	11,375	0	11,590
Stock to Use %	17	17	18	19	0	17.3
Yield (KG/HA)	472	472	608	621	0	598

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	0	2,400
Beginning Stocks	420	420	333	333	0	393
Production	851	851	1,462	1,495	0	1,438
Imports	982	982	742	655	0	698
Total Supply	2,253	2,253	2,536	2,482	0	2,529
Exports	22	22	16	16	0	16
Domestic Use	1,898	1,898	2,138	2,073	0	2,138
Loss	0	0	0	0	0	0
Domestic Use and Loss	1,898	1,898	2,138	2,073	0	2,138
Ending Stocks	333	333	382	393	0	374
Total Distribution	2,253	2,253	2,536	2,482	0	2,529

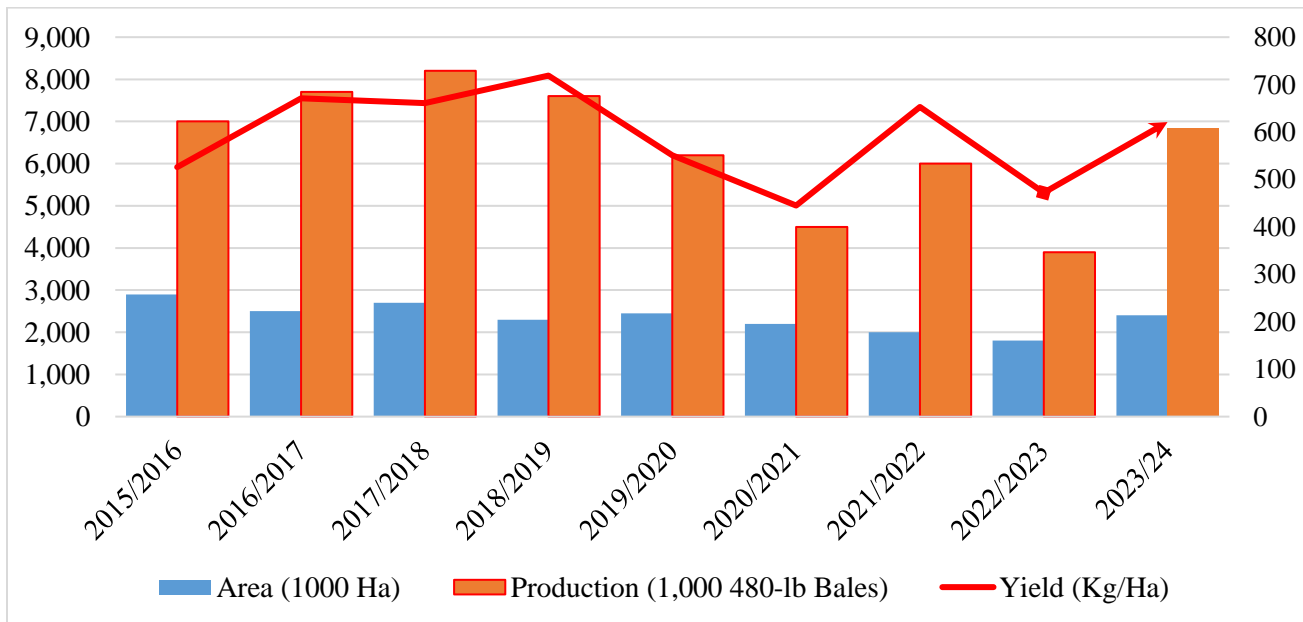
Production

Production in 2024/25 is forecast at 6.59 million bales, which would be nearly 4 percent lower than in 2023/24. The expected decrease in production is based on the average yield in the past five years, excluding flood-affected yield in 2022/23. Corn and rice compete directly with cotton for area. Prices and grower returns for corn have been low in 2023/24, but returns for rice have been extremely good. Therefore, cotton area will replace some corn area, but this will be somewhat offset by increases in rice area.

After a dry period from October-December, much needed rainfall arrived in February, which replenished irrigation water supplies for cotton planting. A sharp increase in local cotton prices in January and February also acted as an incentive for farmers to plant cotton. As of mid-March, cotton planting had already started in Sindh and Punjab, but unseasonably low temperatures negatively impacted germination and development of those plantings. Farmers are waiting for temperatures to increase before continuing planting.

The 2023/24 cotton crop collection is essentially complete, and reports from processors confirm that the 2023/24 output was much greater than the flood-impacted 2022/23 crop. Total ginner intake was 73 percent higher than the previous year. Intake was 5.96 million bales (480-lbs). Assuming another 15 percent of production goes unrecorded, total estimated production for 2023/24 is 6.85 million bales. Compared to the previous year, collection was 43 percent higher in Punjab and more than double in Sindh. Notably, the share of the Sindh crop in total cotton production was near to Punjab's 50 percent. Historically, Punjab has accounted for 65-70 percent of total production. Bahawalnagar, Rahimyar khan in Punjab and Sanghar, Sukkur in Sindh were the leading cotton producing districts during 2023/24.

Figure 1: Cotton Area and Production Trends



Consumption

Given expectations for a modest rebound in export demand for textile products, cotton use in 2024/25 is forecast to grow only marginally to 9.8 million bales.

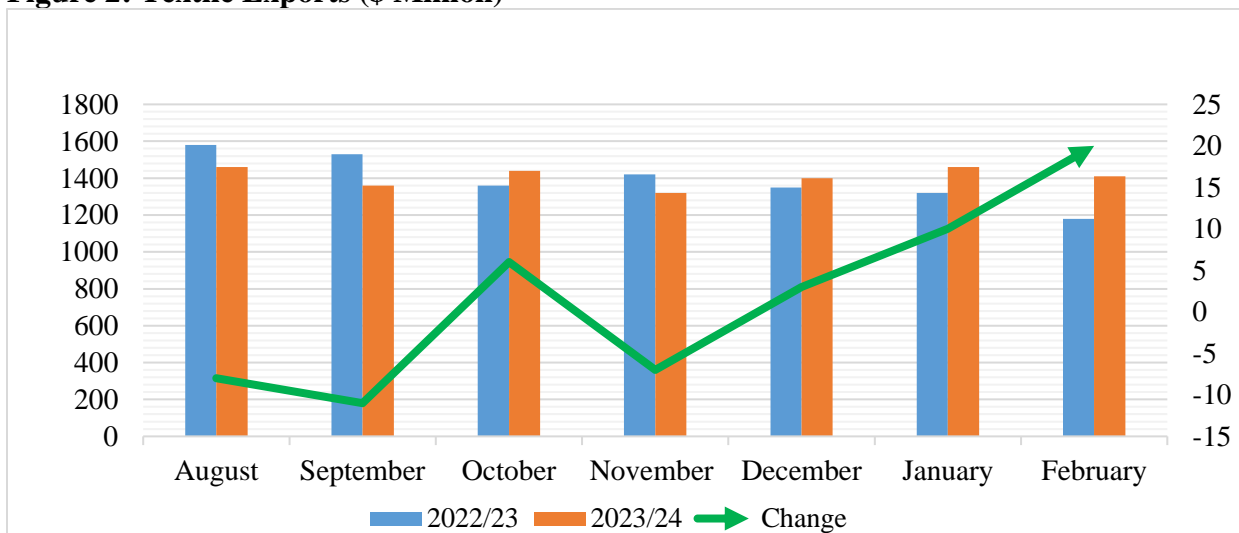
Due to the sluggish textile export performance, cotton use for 2023/24 is reduced to 9.5 million bales. Textile exports have declined in 2023/24, with total textile export value down 0.6 percent through February of the 2023/24 marketing year. Several textile product category exports declined, including Pakistan's key household products: bedwear and towels. The increase in yarn exports of 48 percent during July-February 2024 helped to make up for the decline in other categories. However, exports increased 10 and 20 percent, respectively, in January and February 2024 compared to same months of 2023. Exporters hope the early 2024 surge in exports is a harbinger for a full export recovery during the remaining months of 2023/24.

Trade

With the expected decrease in domestic production, but limited growth in domestic use, imports are forecast to increase only marginally to 3.2 million bales in 2024/25. During the months following the onset of cotton collection in 2023, domestic prices were lower than the landed costs of imported cotton. As a result, millers relied on domestic cotton first. With the above supply and use forecasts, these price relationships are expected to repeat in 2024 after the domestic crop begins to be collected. Assuming the domestic prices are again competitive and the 2024 crop quality is acceptable, millers will again favor procuring domestically first. This will limit growth in imports in 2024/25

Regarding 2023/24 imports, the pace of cotton imports through the first 7 months of 2023/24 was down 65 percent compared to the previous year. Furthermore, U.S. cotton exports were down 47 percent. As a result of this continued slow pace in imports, the 2023/24 import estimate is decreased to 3 million bales.

Figure 2: Textile Exports (\$ Million)



Source: Pakistan Bureau of statistics

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

	August - July	August -July	August -Jan
	2021/2022	2022/23	2023/24
United States	351.1	426	111.5
Brazil	189.6	187	51
Australia	23.8	90	7.7
Cote d'Ivoire	125.9	55	12
Afghanistan	73.9	65	
Argentina	32.9	12	1
Turkey	28.2	50	19.3
Tanzania	26.5	17	
Benin	13.8	5	
Greece	13.7	15	
Togo	13.3	3.4	1.2
EU 27 External Trade	12.9	48	2.6
Others	64.3	9	3.9
Total	982.2	982.4	210.2

Source, Trade Data Monitor (LLC)

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

	2020	2021	2022	2023*
China	275	277	131	143
Bangladesh	22.6	42	41	12
EU	20	29.6	32.4	14.2
Japan	7.4	9	11	4.8
Turkey	13.2	9.7	10.7	5.7
United States	6	7.6	6.2	3.1
Others	23.9	25	43.9	17
Total	368.1	399.9	276.2	199.8

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

*Jan- July 2023

Table 5: Fabric Exports (MT)

Partner	2020	2021	2022	2023*
Bangladesh	17,565	39,571	58,860	26,801
Turkey	7,179	14,192	20,826	12,018
Italy	7,373	12,786	26,980	9,732
United States	4,907	5,927	11,052	6,885
China	6,658	10,370	9,235	6,432
Portugal	7,576	12,283	16,341	5,400
Germany	3,591	8,344	14,513	4,022
Egypt	1,870	5,378	6,789	3,832
Netherlands	3,919	6,142	12,767	3,720
South Korea	6,498	6,987	6,459	2,885
Japan	3,491	4,745	5,661	2,644
Others	19,908	35,684	70,889	33,399
Total	90,535	162,409	260,372	117,770

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

*Jan- July 2023

Table 6: Overall Textile Exports (Million USD)

Month	2022/2023	2023/24	% Change
August	1,580	1,460	-8
September	1,530	1,360	-11
October	1,360	1,440	6
November	1,420	1,320	-7
December	1,350	1,400	3
January	1,320	1,460	10
February	1,180	1,410	20

Source (Pakistan Bureau of Statistics)

Stocks

Due to a slight decrease in domestic production in the face of minimal expansion in domestic use, ending stocks are forecast to be slightly lower in 2024/25.

Policy

The huge increase in energy (gas, electricity) prices is a major challenge for the textile sector. Due to budgetary constraints, the government eliminated energy subsidies. The textile industry has written a “roadmap” for the new government to use to support the textile sector. Priorities are addressing high energy costs, expansion, and product diversification. The government continues to subsidize fertilizer and other inputs for cotton producers.

Prices

The Government has yet to announce cotton support prices for the 2024/25 crop. During 2023/24, the support price was Rs8,500/40 kg (\$759/ton). Due to good supplies, local cotton prices were below the announced price for much of the harvest season. Local ginned cotton prices were between 15,500 to 19,700/40kg (about \$0.89/lb). In early March, cotton prices were Rs19,500 to Rs21,000/40 kg in Sindh and Rs19,000 to Rs21,000 in Punjab, with spot rates at Rs19,700/40kg. Meanwhile, input prices (particularly fertilizer and energy for irrigation pumps) have risen significantly this year, leading to higher costs of production.

Table 7: Textile Group Exports (Million \$US)

Sectors	July – Feb 2023-24	July - Feb 2022-23	% Change
Textile Group	11,145	11,218	-0.65
Raw Cotton	55	12	353
Cotton Yarn	748	505	48
Cotton Cloth	1,259	1,380	-8.7
Cotton Carded or Combed	1	1	-32.5
Yarn Other Than Cotton	24	29	-18.06
Knitwear	2,903	3,078	-5.69
Bed Wear	1,873	1,834	2.08
Towels	690	666	3.64
Tents, Canvas & Tarpaulin	77	86	-10.72
Readymade Garments	2,309	2,380	-2.9
Art, Silk & Synthetic Textile	243	273	-10.88
Madeup Articles (Excl. Towel and bedwear)	476	484	-1.62
Other Textile Materials	482	485	-0.6

Source: Pakistan Bureau of Statistics (PBS)

Attachments:

No Attachments