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Report Name: Cotton and Products Update

Country: Pakistan

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Report Highlights:

The 2022/23 harvested area estimate is reduced significantly due to the recent flooding in key production areas of Sindh and southern Punjab. As a result, the 2022/23 production forecast is lowered 19.4 percent to 5 million bales. To replace the expected decline in domestic output, the 2022/23 import forecast is increased to 5.8 million bales.

Production and Area

The 2022/23 production forecast is reduced to 5 million bales due to severe flooding in key production areas of Sindh and southern Punjab. Due to the flooding, 2022/23 projected harvested area is reduced 18.6 percent to 1.79 million HA. In Sindh, cotton fields in the districts of Sukkur, Khiarpur, Naushero Feroze, and Ghotki, which combined account for about 22 percent of cotton area, are inundated with flood waters. Similar conditions exist in the DG Khan, Rajanpur and Muzaffar Garh, and Mianwali districts of Punjab, which account for 9 percent of the cotton area. If the flood waters recede quickly, some production in these areas may recover, but substantial loss has already occurred.

Growing conditions in the Punjabi districts of Bahawalpur, Bhawal Nagar, Rahim Yar Khan, Khanewal, and Multan in Punjab have been good, and remain largely unaffected by the flooding. These districts account for about 36 percent of the cotton area. In Sindh, output prospects in Sanghar, Mirpur Khas, Nawabshah, and Hyderabad are still good, and they account for about 23 percent of cotton area.

In Sindh, cotton collection begins in August and continues through October, while the harvest season in Punjab usually runs about a month later. Picked cotton often remains in the fields for up to 10 days before being transported to the ginners. This practice of leaving cotton in fields for several days is exacerbating the damage caused by the flood waters. Assessment of the damage is ongoing, and it may be up to 6 weeks before the full impact of the flooding on the cotton crop is known.

Consumption

Export demand for Pakistan's finished textile products is forecast to slow in 2022/23. As a result, the consumption forecast for 2022/23 remains unchanged at 10.9 million bales. Knit garments, sheets, bed wear, and cotton cloth exports continued to grow during the first half of 2022.

Imports

Given low domestic production and stable demand expectations, the 2022/23 import forecast is increased to 5.8 million bales, which would be 29 percent higher than 2021/22. Due to the pace of imports to date, the 2021/22 import estimate is increased slightly to 4.5 million bales, but that still lags 2021/22 imports by nearly 15 percent. Despite the continued relatively strong performance of domestic textile manufacturing, current year cotton import demand has been hampered by the depreciating rupee vis-a-vis dollar exchange rate, rising transportation costs, and supply chain disruptions.

Government Intervention Price

In July 2022, the Government announced the cotton support price of Rs 5700/40 kg ($654/Ton) for 2022/2023. Market prices are expected to range from 6200 to 8500 /40 Kg ($715-950), well above the government intervention price, so the support price policy will have limited impact. The price of inputs (particularly fertilizer and energy for irrigation pumps) have risen significantly this year, leading to higher costs of production. As a result, farmers, and the textile industry (APTMA) were requesting a support price of closer to 8000/40 kg (900$/ton).

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

Cotton	2020-2021		2021/2022		2022/2023	
Market Year Begins	Aug 2020		Aug 2021		Aug 2022	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,200	2,200	2,000	2,000	2,200	1,790
Beginning Stocks	3,190	3,190	2,265	2,265	1,790	1,790
Production	4,500	4,500	6,000	6,000	6,200	5,000
Imports	5,325	5,325	4,400	4,500	4,800	5,800
Total Supply	13,015	13,015	12,665	12,565	12,790	12,590
Exports	25	25	50	50	50	50
Domestic Use	10,700	10,700	10,800	10,900	10,900	10,900
Loss	25	25	25	25	25	25
Total Dom. Cons.	10,725	10,725	10,825	10,925	10,925	10,925
Ending Stocks	2,265	2,265	1,790	1,790	1,815	1,615
Total Distribution	13,015	13,015	12,665	12,565	12,790	12,590
Stock to Use %	21.12	21.12	16.5	14.52	16.58	14.75
Yield (Kg/HA)	445	445	653	648	614	608

Table 2. Production, Supply and Distribution Table (1,000 Metric Tons) (1,000 HA)

Cotton	2020/2021		2021/2022		2022/2023	
Market Year Begins	Aug 2020		Aug 2021		Aug 2022	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,200	2,200	2,000	2,000	2,200	1,760
Beginning Stocks	696	696	494	494	391	391
Production	982	982	1,309	1,309	1,353	1,090
Imports	1,162	1,162	960	982	1,047	1,265
Total Supply	2,840	2,840	2,763	2,785	2,791	2746
Exports	5	5	11	11	11	11
Domestic Use	2,335	2,335	2,356	2,378	2,378	2,378
Loss	5	5	5	5	5	5
Total Dom. Cons.	2,340	2,340	2,362	2,384	2,384	2,384
Ending Stocks	494	494	391	391	396	352
Total Distribution	2,840	2,840	2,763	2,785	2,791	2,746

Table 3. Import Matrix (1,000 Tons)

	August- June	August - June
	2020/21	2021/2022
United States	398.4	351.1
Brazil	275.7	189.6
Cote d'Ivoire	80.2	125.9
Afghanistan	44.8	73.9
Argentina	50.7	32.9
Turkey	37.8	28.2
Tanzania	26.3	26.5
Australia	3.6	23.8
Benin	17.3	13.8
Greece	12.1	13.7
Togo	18.8	13.3
EU 27 External Trade	33.9	12.9
Turkey	22.9	12.4
Others	112.0	68.3
Total	**1134.5**	**986.2**

Source: (Trade Data Monitor LLC)

Cotton import demand continues to be driven by exports of cotton yarn, fabric, and other value-added cotton textile products. The major products showing tremendous export performance in the first part of 2022 include: readymade garments (28.7 percent increase in value & 49.4 percent in quantity), bed wear (18.7 percent in value & 11.0 percent in quantity), cotton yarn (18.7 percent in value and quantity declined by 14.1 percent), cotton cloth (26.9 percent in value & 3.8 percent in quantity), knitwear (34.2 percent in value despite decline in quantity by 5.4 percent (GOP, 2022).*

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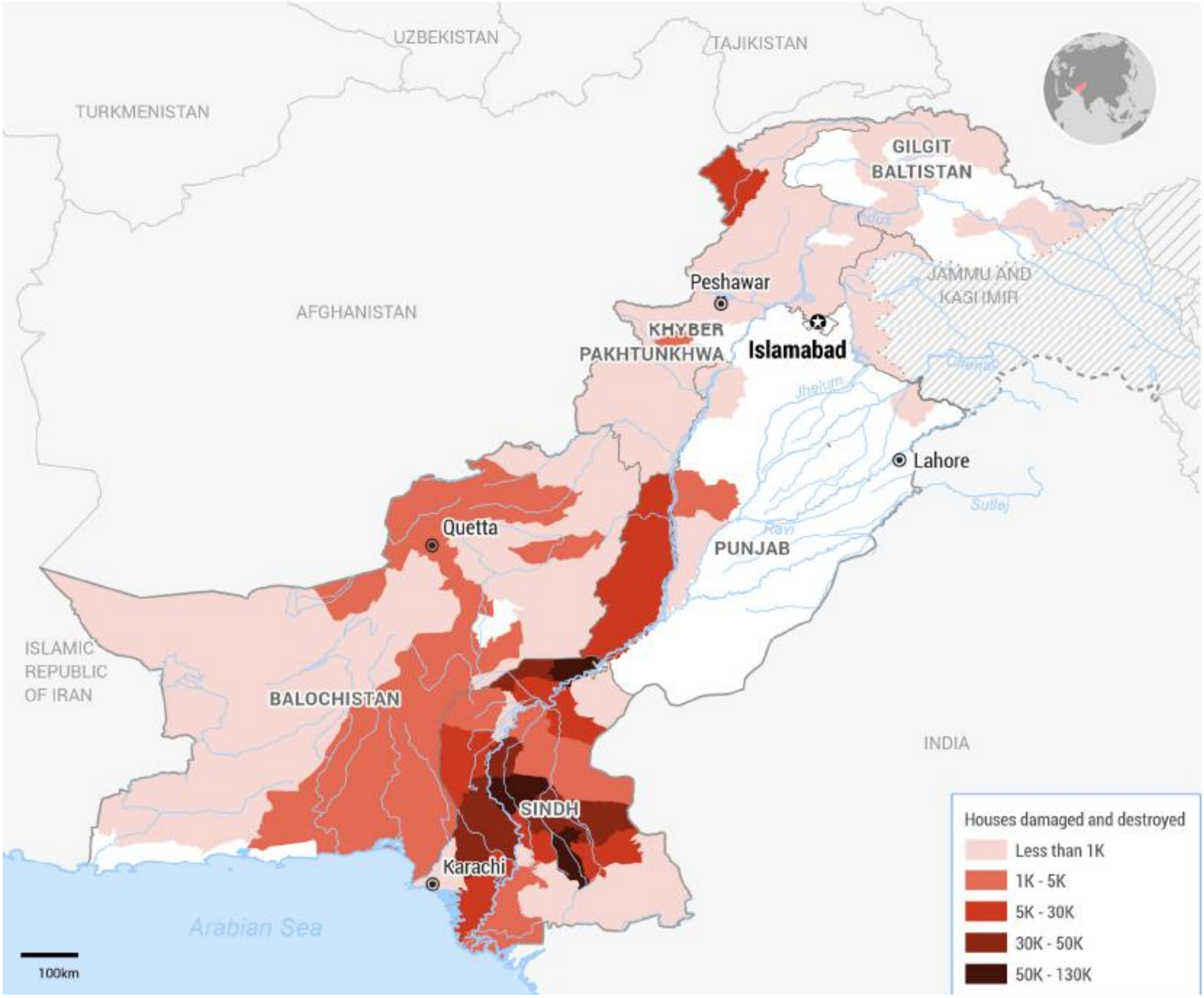
Table 4. Export of Cotton Yarn and Fabrics from Pakistan (1,000 Tons)

	August-July 2020/21	**August-April 2021/22**
China	290.1	154.5
Bangladesh	62.4	72.5
Turkey	21.8	23.7
Italy	19.2	20.5
Portugal	24.8	19.6
United States	12.9	12.3
Germany	10.1	10.6
Japan	13.5	9.7
Netherlands	7.6	8.3
South Korea	16.6	8.4
Egypt	5.7	6.1
others	49.6	57.8
Total	**534.2**	**404.2**

Source: (Trade Data Monitor LLC)
HS Codes: 5204, 5205, 5208, 5209

Figure -1: Map Showing Flood affected Area



Source: UNOCHA – August 2022

Attachments:

No Attachments