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Report Name: Cotton and Products Update

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Report Highlights:

The 2024/25 cotton area estimate is revised downward to 2 million hectares due to a decrease in cultivation in key production areas of Punjab and Sindh. With the lower area, the production forecast is lowered to 5.55 million bales. Despite the lower anticipated domestic cotton output, as a result of stagnant domestic cotton usage, the 2024/25 import forecast is reduced to 3.6 million bales.

Production and Area

The cotton production forecast for the 2024/25 season is revised to 5.55 million (480 lbs.) bales, a 24 percent decrease compared to 2023/24. This reduction is due to both a significant decrease in harvested area and an expected decline in yield. Cotton was planted on an estimated 2 million hectares, a 17 percent reduction from the previous year. The major decline was in Punjab, where sizable traditional cotton-growing areas shifted to sesame and rice. In recent years, producers in those areas had experienced declining yields, pest infestations, and fluctuating weather patterns, while sesame and rice producers' have enjoyed good crops and returns. Those factors contributed to a decrease in Punjab's cotton area. An additional factor was the Punjab government's decision last spring to not purchase wheat at the support price. This created uncertainty among farmers. The government's abrupt policy shift on wheat procurement occurred while many farmers were considering which summer crops to plant. As cotton is considered a riskier crop, the unstable policy environment caused many producers to opt for safer returns from alternative crops.

Meanwhile, yields and returns in Sindh province are expected to be good and prospects for that crop are much better than in Punjab. Punjab once accounted for 60 to 70 percent of domestic production, but last year it's share fell, and this year Sindh is likely to surpass Punjab's cotton production. Through mid-August, growing conditions in major cotton producing areas have been good, but weather conditions, pest outbreaks, and harvesting conditions through September will determine the size of the crop.

The production estimate for the 2023/24 is revised upward to 7.32 million bales (480lbs). The updated figure is based on a new estimate of the quantity of cotton collected and processed through unreported channels. The revision indicates that about 20 percent of total cotton delivered to ginners was not reported. This increase in quantity entering informal channels was reportedly due to delays in ginners receiving tax refunds from previous years. With the new taxes on cottonseed cake and the loss of tax abatement on cotton exports in the recently announced budget, the quantity of cotton ginned that goes unreported is likely to rise during the 2024/25 season.

For example, as of mid-August, ginners report receiving 844,000 bales (342 lbs.) in Punjab and Sindh, which is 40 percent less than last year. However, other sources indicate output far exceeding the ginners' reports, indicating significant non-reporting already this early in the season. Punjab's Crop Reporting Service through July 31, 2024, indicated production had reached 450,000 bales (342 lbs.), which was almost double what ginners reported they had collected.

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	2,100	2,000
Beginning Stocks	1,925	1,925	1,525	1,525	1,650	2,250
Production	3,900	3,900	6,700	7,325	6,000	5,550
Imports	4,500	4,500	3,000	2,800	4,000	3,600
Total Supply	10,325	10,325	11,225	11,650	11,650	11,400
Exports	100	100	175	100	50	50
Domestic Use	8,700	8,700	9,400	9,300	9,600	9,200
Loss	0	0	0	0	0	0
Domestic Use and Loss	8,700	8,700	9,400	9,300	9,600	9,200
Ending Stocks	1,525	1,525	1,650	2,250	2,000	2,150
Total Distribution	10,325	10,325	11,225	11,650	11,650	11,400
Stock to Use %	17	17	17	24	21	23
Yield (KG/HA)	472	472	608	665	622	604

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	2,100	2,000
Beginning Stocks	420	420	333	333	360	491
Production	851	851	1,462	1,598	1,309	1,211
Imports	982	982	655	611	873	785
Total Supply	2,253	2,253	2,449	2,542	2,542	2,487
Exports	22	22	38	22	11	11
Domestic Use	1,898	1,898	2,051	2,029	2,095	2,007
Loss	0	0	0	0	0	0
Domestic Use and Loss	1,898	1,898	2,051	2,029	2,095	2,007
Ending Stocks	333	333	360	491	436	469
Total Distribution	2,253	2,253	2,449	2,542	2,542	2,487

Consumption

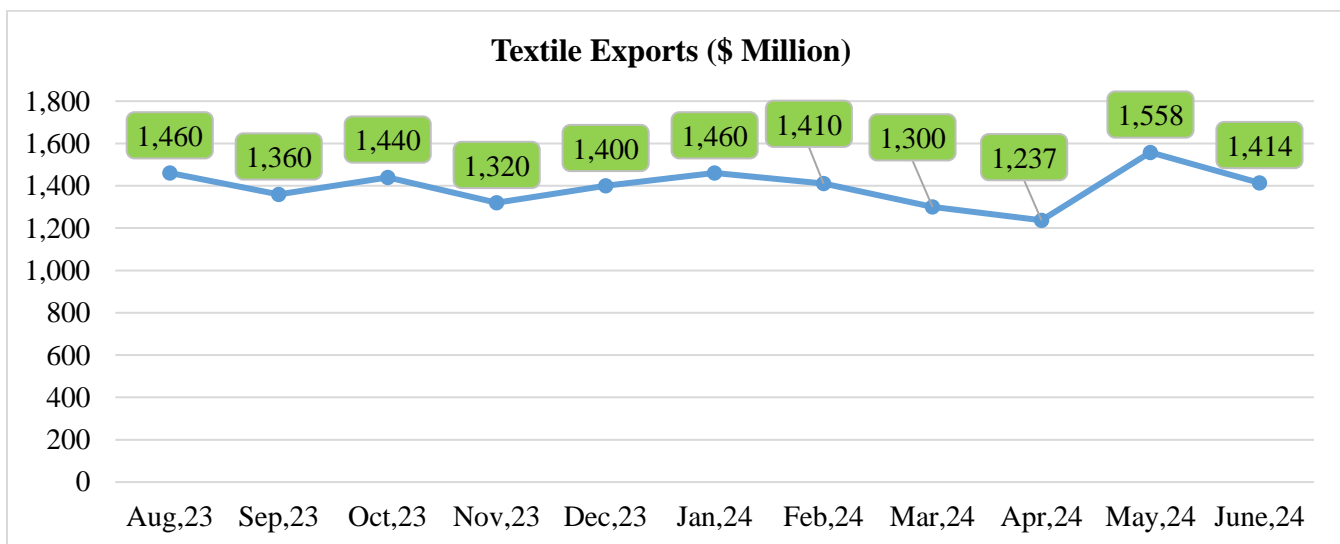
During 2024/25, high energy costs and interest rates will continue to hamper the textile sector's competitiveness and hinder overall cotton demand. As a result, the 2024/25 use forecast is reduced to 9.2 million bales.

The new taxes in the recently approved budget will also create additional challenges for the textile sector, negatively impacting profits and potentially hindering cotton use. Leading textile industry stakeholder organizations continue to pressure the government to rescind the new taxes. As of mid-August, the government and industry representatives continued to search for a solution, but no agreement had been reached. Furthermore, the rise in sales tax from 15 to 18 percent is influencing local textile demand.

Trade

Despite the forecast decline in domestic output, with the expected sluggishness in textile manufacturing activity, the 2024/25 import forecast is reduced to 3.6 million bales, which would still be nearly a 30 percent increase from 2023/24. While the government recently announced a goal of doubling textile exports in 3 years, achieving that goal is unlikely, particularly given the many significant challenges facing the textile industry's competitiveness.

Figure 1: Textile Exports (\$ Million)



Government Policy

The recently passed fiscal year (July/June) 2024/25 budget includes a new 10 percent sales tax on cottonseed cake and an additional 17 percent tax burden for textile companies. As described above, these new taxes will pose additional challenges to the textile sector's profitability and competitiveness.

Table 4: Textiles Group Exports (Million USD)

Sector	July – June (2023-24)	July - June (2022-23)	% Change
Textile Group	16,655	16,501	0.93
Raw Cotton	56	13	316
Cotton Yarn	955	844	13.1
Cotton Cloth	1,865	2,022	-7.7
Cotton Carded or Combed	0.83	1.1	-24.8
Yarn Other Than Cotton	32	45	-27.9
Knitwear	4,407	4,436	-0.66
Bed Wear	2,802	2,691	4.12
Towels	1,055	1,000	5.5
Tents, Canvas & Tarpaulin	117	137	-14.7
Readymade Garments	3,563	3,491	2.05
Art, Silk & Synthetic Textile	367	412	-10.9
Made-up Articles (Excl. Towel and bedwear)	715	692	3.29
Other Textile Materials	715	713	0.40

Source: Pakistan Bureau of Statistics

Table 5. Import Matrix (1,000 Tons)

	August - July 2021/2022	August -July 2022/23	August -June 2023/24
United States	351	426	273
Brazil	190	187	164
Cote d'Ivoire	126	55	27
Afghanistan	74	65	28
Australia	24	90	11
Argentina	33	12	16
Turkey	28	50	30
Tanzania	27	17	4
Benin	14	5	2
Greece	14	15	1
Togo	13	3	4
EU 27 External Trade	13	48	16
Others	64	9	15
Total	971	982	591

Source, Trade Data Monitor (LLC)

Attachments:

No Attachments