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Global Agricultural Information Network

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Pakistan

Cotton and Products Annual

Cotton and Products Annual 2019

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Report Highlights:

Pakistan's marketing year 2019/20 cotton production is forecast at 8.0 million 480 lb bales, up 500,000 bales from the revised 2018/19 estimate. This projected production reflects a modest increase in area due to recent government incentives to enhance cotton production in the country. Yield is expected to be higher than last year based on sufficient water and certified seed availability. About 95 percent Pakistan's cotton crop is bioengineered. Textile mill consumption is forecast slightly higher at 10.7 million bales as demand for cotton products is expected to rise with government support for textile exports. With mills having strong interest in higher-grade quality cotton to meet demand for higher quality products, the import forecast is 3.0 million 480 lb. bales. With Pakistan's developed biotechnology and seed regulatory structure, investment and implementation would facilitate the introduction of improved cotton seed in the country.

Commodities:

Cotton

Production:

Cotton is an important cash crop and lifeline of Pakistan's textile industry. The cotton crop is planted on 15 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 75 percent and Sindh nearly 25 percent of area. For the most part, cotton is produced by small farmers cultivating less than five hectares of land. An estimated 1.6 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. The 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 includes 1,050 ginneries, 430 textile mills, and 350 cottonseed crushers and oil refiners.

Pakistan's MY (Aug/Jul) 2019/20 cotton production is forecast at 8.0 million 480 lb bales (10.2 million 170 kg bales or 1.74 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 increase to 2.5 million hectares (MHA) as forecasts of firmer global cotton prices and new Government support for planting seed purchases and minimum support prices are expected to encourage some farmers to shift to cotton production.

Cotton planting is expected to begin on late March in Sindh and in early April 2019 in the main producing province of Punjab. Provincial officials prohibit planting prior to April 1, 2019. This policy is aimed at countering the timing of peak bollworm activity in cotton producing areas.

Cotton yields are expected to recover from the last year based on improved water and certified seed availability to the farming community. Based on sufficient rainfall during February- March and heavy snowfall, the water availability is expected to remain normal for ensuing summer crops. The Government has procured a sufficient quantity of certified bioengineered seed of the latest cotton varieties that will increase farmers' choice to plant improved cultivars. The Provincial Government of the Punjab has announced it will provide, free of cost, certified seed for 100,000 acres in the province. This is an increase from the previous year. Farmers will get seed for 1-2 acres through balloting after applying to the Agriculture Department. Arrangements for timely supply of fertilizer and pesticides are in process. MY 2019/20 yield is projected at 697 kg per hectare, 3 percent higher over the current year's estimate of 680 kg per hectare. There are a number of factors that affect yields, some positive and some negative. Factors weighing against improved yields include:

- 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 16-year-old biotechnology event, one that is less virulent against bollworms and other diseases.

- “Sucking insects” such as white fly continue to spread cotton leaf curl virus (CLCV), “chewing insect” such as pink boll worm impairs cotton quality and other plant diseases that affect yields and require farmer vigilance.
- 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 have approved or are expected to approve 6-8 new seed varieties that seem to be liked by farmers. The supply of certified seed is about 80 percent of all cottonseeds, up from 75 percent a year ago.
- 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 seed, fertilizer, water, and power for farmers.
- Firmer prices encourage more pickings and input usage.

MY 2018/19 production is estimated at 7.5 million 480 lb bales based on near-final arrival data from the Pakistan Cotton Ginners Association. This production was realized from 2.4 million hectares, 11 percent down from the last year’s level. 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:

With Pakistan’s developed biotechnology and seed regulatory structure, investment and implementation will 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. With this development, Pakistan’s public sector research institutes will be able to sell intellectual property rights (IPR) to agricultural firms to 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. Note that the prior introduction of now-dated cotton events was the result of the informal adoption and spread of those technologies. While those events were eventually recognized officially, the regulatory structure that is finally approved and the enforcement is in process, will allow the official introduction of new technologies along with investment.

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 especially pink bollworms. At present more than 80 Bt. Cotton varieties having the single gene i.e. Cry1Ac (MON531 event) are available to farmers and a couple of varieties having double genes i.e. Cry1Ac + Cry2Ab (CEMB-2 event) are in the pipeline.

Consumption:

MY 2019/20 consumption is forecast at 10.7 million 480 lb bales (13.7 million 170 kg bales or 2.3MMT). Consumption is largely unchanged over the past decade and the modest year-to-year increase reflects a higher domestic crop tempered by higher cotton prices. Industry sources are also hopeful that improved energy supplies will enhance productivity. The European Union has extended the Generalized System of Preferences “Plus” treatment for Pakistan which could also lend some support to consumption.

Cotton continues to face competition from other man-made fibers and manufacturers in Asia. Still, textiles continue to play a huge 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 employs 10 million people according to Pakistan. Increased foreign investment in Pakistan’s energy and infrastructure sectors could help to spur future growth in the textile sector.

Trade:

Pakistan is a net importer of cotton, primarily due to strong demand for better grades of cotton for blending and for 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 2019/20 are likely to remain at the last year’s level of 3.0 million bales of 480 lb. Despite sizeable imports, Pakistan continues to export small volumes of cotton during harvest and 2019/20 exports are forecast at 155,000 480 lb bales. 2017/18 trade estimates reflect official data.

Table 1: Cotton Trade Statistics:

(Quantity in Metric Tons)

MONTH/YEAR	IMPORTS			EXPORTS		
	MY 2016/17	MY 2017/18	MY 2018/19	MY 2016/17	MY 2017/18	MY 2018/19

August	16,723	2,122	7,126	4,202	4,531	1,493
September	14,318	2,860	6,247	4,176	12,500	2,029
October	18,597	10,012	8,220	7,033	7,901	2,988
November	10,369	16,099	9,896	2,849	4,648	919
December	13,914	15,651	12,272	1,544	1,915	163
January	36,654	51,338	9,399	707	1,074	230
SUB TOTAL	110,575	98,082	53,160	20,541	32,569	7,822
February	71,636	111,873		522	377	
March	90,250	100,454		493	165	
April	81,821	96,580		622	476	
May	72,896	100,137		282	631	
June	23,865	94,301		103	432	
July	14,745	23,630		731	570	
TOTAL	465,788	625,057		23,264	35,220	

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 2018, the Government imposed a tariff of 4 percent and a sales tax of 5 percent on imported cotton, but exempts domestic cotton from the sales tax. The tariff and sales tax were dropped to zero for imported cotton starting in January 2019 to facilitate supplies to the textile sector. Imports of cotton from India have dropped significantly due to tension on borders and Pakistan has diversified its imports from other origins.

In March 2018, Pakistan's cabinet-level Economic Coordination Committee (ECC) shifted oversight of the cotton sector from Textile Industry Division to the Ministry of National Food Security and Research. With the advent of new government, the work on new Cotton Policy is in process with the ministry. On March 19, 2019 the federal government announced spending of Rs. 290 billion (\$2 billion) for the development of Agriculture sector that includes production of major crops during the next five years.

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

Production, Supply and Demand Data Statistics:

Cotton Market Begin Year	2017/2018		2018/2019		2019/2020	
	Aug 2017		Aug 2018		Aug 2019	
Pakistan	USDA	New	USDA	New	USDA	New

	Official	Post	Official	Post	Official	Post
Area Planted	0	0	0	0	0	0
Area Harvested	2700	2700	2400	2400	0	2500
Beginning Stocks	2315	2315	2830	2830	0	2580
Production	8200	8200	7700	7500	0	8000
Imports	3300	3300	3000	3000	0	3000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	13815	13815	13530	13330	0	13580
Exports	160	160	125	125	0	155
Use	10800	10800	10600	10600	0	10700
Loss	25	25	25	25	0	25
Total Dom. Cons.	10825	10825	10625	10625	0	10725
Ending Stocks	2830	2830	2780	2580	0	2700
Total Distribution	13815	13815	13530	13330	0	13580
Stock to Use %	25.82	25.82	25.92	24.06	0	24.87
Yield	661	661	699	680	0	697
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						