

COTTON PRODUCTION IN PAKISTAN AND ROLE OF TRADING CORPORATION OF PAKISTAN IN PRICE STABILIZATION

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Pakistan today enjoys a unique position in the cotton world, ranking fourth in production after Peoples Republic of China, USA and India. It is also one of the biggest exporters of cotton yarn. This distinction it has achieved firstly, due to government's efforts and massive support to the grower to increase production and secondly, due to government's support price policy successfully implemented by the TCP.

2. This has protected the growers from the adverse effects of wide fluctuations in international prices, so more production no longer means lower return to the grower but more farm income. The grower is now assured of guaranteed prices even in depressed market conditions and falling international prices. Pakistan grower received fair price of his produce during 2004-2005 season despite increased

production of cotton of about 15 million bales which was the highest in the history of Pakistan.

3. Pakistan being an agricultural developing country, has to produce more cotton to earn more foreign exchange. With necessary changes in the structure of the cotton economy, and Government assurance of support price to the cotton growers, production of cotton in 2004-2005 season exceeded the target of 10.72 million bales. The actual production of cotton during 2004-05 was close to 15 million bales of 170 kgs.

4. The effects of the transfer of price risks from the grower to the government/TCP and the price insurance provided to the farming community has led to a favourable shift in the production pattern as well as increased production of medium long and long staple cotton.

5. The evolution of new varieties is a continuous process in view of technological developments and mechanical innovations in the world textile industry, which requires cotton of better grades and staple length for producing blended yarns and for non-spinning purposes. Hence research efforts are directed towards achieving the

above objectives with emphasis on developing high yielding, short stature medium and long staple climate adaptive, insect/pest and disease resistant varieties. Several promising strains have been evolved with higher commercial/spinning values.

6. The government has fixed a target of 12.00 million bales for 2005-2006 season to be achieved from an area of about 3.05 million hectares and a yield of 669 kgs. per hectare. This target has been revised upward to 15.00 million bales. This is by no means an ambitious target, as the production target has already been exceeded in 2004-2005. The strength of prices in the wake of increased production is ample proof of the pragmatism of the existing cotton policy. The credit for successful implementation goes to the TCP and government functionaries.

7. The government has made a suitable enhancement in seed cotton prices to Rs.975/per 40 kgs. for 2005-2006 crop to enable the grower to meet the increasing cost of cotton production. The government in its cotton policy has inducted Trading Corporation of Pakistan in implementing the price support policy of the Government

with responsibility of price stabilization and with the provision for free import and export of cotton to the private sectors

8. The rising cost of production in developing countries like Pakistan is hampering production efforts, mainly because of increasing import prices of farm inputs which has a direct impact on yields. The per acre yield in Pakistan is 781 kgs. per hectare while in other major cotton producing countries, it is much higher e.g. Israel, 1,818 kgs; Australia, 1,802 Kgs; Syria, 1,571 kgs; Mexico, 1,312 kgs; Turkey, 1,289 kgs; Spain, 1,218 kgs; Brazil, 1,209 kgs; China, 1,119 kgs; Greece, 1,081 kgs; Egypt 939 kgs and USA 951 kgs. Thus, there is immense scope for increasing cotton production in Pakistan by improving its cotton yield which is still substantially lower than the national average of major cotton producing countries of the world.

9. Compared to the rising cost of production, international prices have not shown an equitable improvement, thus directly influencing the farming community in developing countries. This year however, even the developed countries like United States have been hit hard

by declining cotton prices due to ample global availability and almost stagnant demand of cotton and they had to seek protective measures for its growers through subsidy. This is in spite of the fact that the US growers are adequately protected through a system of loan and target prices etc. in addition to their ability to cover themselves in the futures market while developing countries are incapable of affording such programmes.

10. The prime need of cotton producing/developing countries is to achieve stable conditions in the cotton trade by avoiding excessive price fluctuations and assuring price level which would be remunerative and just to the producer, equitable to the consumer, and sustain the real income of individual developing countries through increased export earnings.

11. With increasing consumption of more than 14 million bales of local size cotton due to rapid expansion and Balancing, Modernization and Restructuring (BMR) of the textile industry in Pakistan, there is need for quantitative and qualitative improvement in the production of cotton. The Corporation besides its price

stabilization role also exercises a check on quality and has made tremendous efforts in improving the standard of ginning and production of contamination-free clean cotton. Increasing farm production is not enough, as bad and inefficient ginning can cause heavy losses in marketing operations. Technological advances in the textile industry and greater emphasis on quality production has increased the importance of good ginning. With this awareness, TCP has made special efforts to improve the standard of ginning, packing and quality of cotton by providing financial motivation to ginners and growers through payment of quality premia and by undertaking various ginning programmes in coordination with Small & Medium Enterprises Development Authority (SMEDA) and the Provincial Governments in Pakistan. These have had a positive impact on quality production, leading to quality consciousness among the growers and ginners.

12. Pakistan cotton occupies a special place in short to medium long staple groups. It is known the world over for its superiority in strength, uniformity, fibre fineness and regularity and is free from microdust and honey dew. It suitably blends with other cotton and is

also ideal for open end spinning. Due to technological advancement and changing trade patterns, new varieties are replacing the old ones and Pakistan can now offer a wide range of cotton from short to long staple in order to meet the demand of more foreign /local buyers and spinners.



PAKISTAN COTTON

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IMPORTANCE OF COTTON IN THE NATIONAL ECONOMY

- Cotton an important cash crop of Pakistan.
- Plays significant role in the country's economy.
- Contributes more than 65% to the total foreign exchange earnings of the country.
- Major source of income and employment generation in the Agriculture and Industrial Sectors.
- Provides raw material to :
a) 1,200 ginning units, b) 453 textile mills, c) 800 oil mills
- Accounts for major share of edible oil production in the country.
- Provides cattle feed to livestock in the form of oil cakes.

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RANKING OF PAKISTAN COTTON IN THE WORLD

- Pakistan is the fourth largest producer of cotton in the world after Peoples Republic of China, USA and India.
 - Production of Pakistan is about 15.00 million bales of cotton 170 kgs each.
- Pakistan is the third largest consumer of cotton in the world after Peoples Republic of China and India.
 - Consumption of Pakistan is more than 14.00 million bales of cotton of 170 kgs each.

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TOP TEN COUNTRIES (2004-2005)

(Cotton Production)

S.No.	Country	Quantum(million bales of 480 lbs)
1	China	29.01
2	USA	23.06
3	India	18.10
4	Pakistan	11.51
5	Brazil	6.39
6	Uzbekistan	4.85
7	Turkey	4.13
9	Australia	2.61
8	Greece	1.84
10	Syria	1.52
11	Total	103.02

Top Ten Countries Production as % of World Total of 118.93 million bales is 86.62%.

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TOP TEN COUNTRIES (2004-2005)

(Cotton Consumption)

S.No.	Country	Quantum (million bales of 480 lb)
1	China	37.18
2	India	15.15
3	Pakistan	10.33
4	Turkey	6.65
5	USA	6.19
6	Brazil	4.13
7	Indonesia	2.25
8	Mexico	1.99
9	Thailand	1.90
10	Russia	1.30
Total		87.07

Top Ten Countries Consumption as % of World Total of 105.71 million bales is 82.37%.

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TOP TEN COUNTRIES (2004-2005) COTTON YIELD

S.NO.	COUNTRY	COTTON YIELD Kg/ha (Lint)
1	Israel	1,818
2	Australia	1,802
3	Syria	1,571
4	Mexico	1,312
5	Turkey	1,289
6	Spain	1,218
7	Brazil	1,209
8	China	1,119
9	Greece	1,081
10	Egypt	939
	Pakistan	781
	India	415

World Average = 721 Kgs./ha. Lint or 23 md/Acre Phutti
Source : ICAC Oct, 2004.

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ROLE OF TCP IN COTTON

- TCP was inducted to procure lint cotton to safeguard the interest of cotton growers in 1999-2000 season. The objective of TCP's procurement is to stabilize the price of seed cotton and to ensure fair return to the growers.
- As per Government directives, TCP enters the market to procure lint cotton for boosting the seed cotton price to the support level and as soon as it is achieved it withdraws from the market.

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Cotton (Purchases) (Quantity in bales of 170 kg)

S. NO	PROVINCE	1999-00	2000-01	2001-02 *	2004-05
1.	Sindh	30,800	10,700	103,160	546,300
2.	Punjab	494,598	200	* 152,500	1,055,391
3.	Balochistan	-	-	2,061	13,700
	Total	525,398	10,900	257,721	1,615,391

* Includes 14,300 bales clean cotton procured from Rahimyar Khan district in 2001-2002 season.

No intervention by TCP during 2002-03 & 2003-04 season, as price of seed cotton remained much above the support price.

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CONCLUSION

- The objective of TCP's procurement is to stabilize the price of seed cotton to ensure fair return to growers.
- TCP through its price support operations successfully implemented Government policies relating to cotton sector and acted as psychological moral booster for the growers.
- It helped in maintaining stable prices in the country in the larger interest of cotton growers and also helped in improvement in quality and production of clean cotton in the larger interest of the country.

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