



# **THE KARACHI COTTON ASSOCIATION**

(The Cotton Exchange, I.I. Chundrigar Road, Karachi.)

## **THE PROPOSED PLAN OF ACTIVITIES (INDICATING BOTH LONG AND SHORT TERM TARGETS) FOR NEXT THREE YEARS**

### **INTRODUCTION**

The Karachi Cotton Association set-up in 1933 to establish just and equitable principles for the Cotton Trade is the premier body of the Cotton Trade in the country. It provides all necessary facilities for domestic and export trading of cotton and advice to the Government on the matters relating to formulation of Cotton Policy in the best interest of the Cotton Trade and the economy.

Since its establishment in 1933, the Karachi Cotton Association has been representing all segments of the Cotton Trade including the cotton Growers, Ginners, Textile Mills, Exporters and Commission Houses in Pakistan and safeguarding their interest at all level in order to ensure smooth flow of marketing of cotton domestic and international level.

### **IMPORTANCE OF COTTON IN PAKISTAN ECONOMY**

Cotton is a backbone of the Pakistan's economy. Cotton and allied cotton products accounts for about 65% of the country's export earning and add over 10% of country's GDP. Cotton Farming is also the Principal source of raw material for the textile sector. Hundreds of ginneries, factories and textile mills in the country heavily depend upon cotton and employing millions of people along the entire cotton value added chain i.e. from weaving to textile and garment export

### **COTTON PRODUCTION AND CONSUMPTION IN 2013-14.**

The target of cotton production for 2013-14 was fixed by the Government at 14.11 million bales. Due to heavy rains and CLCV attacks in Punjab, the cotton crop has received a setback. According to the PCGA's Report dated 01-12-2013, the arrivals of cotton in the ginneries have been recorded as 11.045 million bales as against 9.582 million bales recorded in the corresponding period last year.

The mills consumption during the year 2013-14 has been estimated at 15.0-15.5 million bales that has necessitated imports of cotton of about 2.0-2.5 million bales during the year 2013-14 to meet the requirement of the domestic mills.

In view of the importance of cotton in the economy of Pakistan, great emphasis is being laid on increasing cotton production so as to meet the rising requirement of the local textile industry, leave adequate surplus for export in order to ensure presence of Pakistan Cotton in the international market and earn valuable foreign exchange for the country.

### **URGENT NEED FOR INCREASING COTTON PRODUCTION**

There is an urgent need to increase production of cotton so as to meet the rising requirement of the local textile industry and leave adequate surplus for export to earn the valuable foreign exchange for the country.

In order to achieve the desired results, the KCA would emphasize upon the Government to initiate the following steps/measures on war footing basis:-

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- i) The Government should mobilize its all resources at Federal and Provincial level to bring more area under cotton cultivation, most particularly, in Balochistan and Kyber Pakhtunkhwa and increase yield per acre.
- ii) The Government should ensure to produce and supply of Certified Cotton Seed/BT Seed to the growers for cultivation.
- iii) Great emphasize should be placed upon the growers to switchover to modern integrated pest management system year after year.
- iv) The ban should be imposed by the Government on cultivation of Paddy/Sugarcane and setting-up of Sugar mills in the areas already earmarked for cultivation of cotton.
- v) All the Cotton Research Institutes should be geared-up to evolve virus resistance cotton seed varieties for cultivation and combat with the problem of CLCV.
- vi) Necessary arrangements should be made to import pure and certified pesticides in small packing instead of bulk as large quantity of cotton was continue to be destroyed every year due to supply of adulterated pesticides to the growers.
- vii) The Government should emphasize upon all the stakeholders including the growers and the ginners to switchover to modern farming and ginning practices year after year to achieve the desired results.

#### **INTRODUCTION OF BT COTTON IN PAKISTAN**

Availability of Certified Cotton Seed is one of the core issue in Cotton production as less 20% of total seed requirement had been available for the last few years. For cotton crop 2013-14, only 6000-7000MT of Certified Cotton Seed was available against the demand of 40,000 MT; which was elevated to 19MT by relaxing the germination percentage from 70 to 50.

The seed of BT cotton were being smuggled from India and Australia. However, none of the smuggled variety proved successful in Pakistan as non was resistant to CLCV. Hence due to non availability of Certified Cotton Seed/BT Seed, the production of cotton is not being increased.

Keeping in view of the position stated above, the KCA would urge upon the Government to take concrete and effective measures on war footing basis to produce and supply of Certified BT Cotton Seed for cultivation as otherwise Cotton Crop could not be increased in the coming years to meet the rising requirement of the local textile industry and leave surplus for export in order to ensure presence of Pakistan Cotton in the international market.

#### **NEED FOR IMPROVEMENT IN QUALITY COTTON PRODUCTION:**

##### **i) IMPROVED GRADE OF COTTON:**

It is generally realized that future gains in cotton production in the country are expected through qualitative improvement of seeds. Pakistan's cotton and yarn are yet to be rated better in the international market. The reasons for discounted price for our raw cotton and yarn in the world market are primarily due to the absence of quality based marketing system and the presence of non-lint contents.

Pakistan cotton is hand picked and contains quite a large quantity of non-lint contents. The contamination of leaf trash, burs, pieces of cotton sticks and grasses, etc., takes place at field level during picking.

In order to improve the Grade of Pakistan Cotton, the KCA would emphasize upon the Government to take the following steps/measures to overcome the problems:-

- i) The Government should provide proper education and motivation to the farmers to pick clean cotton.
- ii) Reasonable incentive/premium for producing clean cotton should be ensured to the growers and ginners.
- iii) Cotton dealers/traders should also be educated on careful handling of seed cotton during transport.
- iv) Pre-cleaning of seed cotton including manual picking of foreign materials should be made mandatory for ginneries.
- v) Cotton Standardization Ordinance 2002 should be implemented in letter and spirit.

#### **ii) QUALITY BASED MARKETING**

It is observed that our cotton is under-rated due to bad picking and ginning and also due to lack of proper marketing system in the country. The KCA would stress upon the Government to take following measures to upgrade the status of raw cotton and stream line the marketing system in the country:-

- i) Implementation of Cotton Standardization Ordinance 2002.
- ii) Fixation of price of seed cotton on Grade basis.
- iii) Implementation of contamination free cotton production programs.
- iv) Establishment of HVI equipped Fiber Testing Laboratories in major cotton growing areas by the Private Sector.
- v) Grading & Classification services at ginnery level.
- vi) Establishment of Private Inspection companies to provide services of Grading & Classification.
- vii) Ginneries to upgrade their ginning technology & capacity.

#### **NEED TO PRODUCE CONTAMINATION FREE COTTON :**

Pakistan cotton is well renowned in the international market for its strength, maturity and uniformity and much in demand internationally because of its good spinning value. However, contamination of cotton is a serious problem which affects the quality of our cotton and cotton products. The prices in the international market, due to contamination are low that causes loss to exchange earnings.

In the absence of proper grading system in the ginning factories, production of properly cleaned cotton has become impossible

The KCA, would urge upon the Government to launch a program for producing contamination free cotton/clean cotton with a view to upgrade the quality of Pakistan cotton, increasing its intrinsic value and raising the image of Pakistan cotton thereby increasing the earnings.

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### **NEED TO PRODUCE ORGANIC COTTON**

There is a considerable demand of Organic Cotton in the world market. Today, the biggest Organic Cotton producer is India followed by Turkey on the second place. There are also several countries that start to produce organic cotton in large quantities like Syria, China, Tanzania, USA, Uganda, Peru, Egypt and Burkina Faso.

The Organic Cotton business is potentially promising, as organic cotton is predicated to become a bigger issue in the future.

The Organic market is wide ranging. Due to its various product categories, Organic Cotton products can be used in any public scope i.e. from children garments to home textiles. Hence Organic Cotton provides a solution of our needs.

The KCA would stress upon the Government to initiate all efforts to promote Organic Cotton cultivation in Pakistan, most particularly in the vast area of Balochistan province and along coastal area of Balochistan. With the exports of Organic Cotton and its made-ups, Pakistan can earn more foreign exchange.

### **POLICY OF FREE TRADING IN COTTON:**

The KCA has always advocated free trading policy in cotton i.e. free export and import of cotton without any quantitative and qualitative restrictions in order to ensure international price of cotton to the grower and provide a level playing field to all sections of the cotton economy of the country. The KCA strongly believes that under the demand and supply position, the market forces themselves/automatically determine the price level and exportable surplus.

On the recommendations of the KCA, the Government has been following the policy of free trading in cotton i.e. free export and import of cotton without any duty and quantitative or qualitative restrictions for the past several years. This policy has been designed to safeguard the interests of all segments of the cotton trade.

The KCA, keeping in view of its firm stand on the above subject, would emphasize upon the Government to continue with the existing policy of free trading in cotton to safeguard the interests of all segments of the cotton trade.

### **EXPORT OF RAW COTTON**

Pakistan traditionally exporting raw cotton to the Fareast countries including China, Indonesia, Hong Kong, Thailand, Vietnam and Bangladesh.

There is a great potential to explore possibilities of export of Pakistan Cotton in non-traditional markets, most particularly, in China, Turkey and South American to earn valuable foreign exchange for the country.

The KCA would emphasis upon the Government to activate their Commercial Counsellors to explore new markets for export of cotton from Pakistan in the non-traditional markets.

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### **COTTON CESS**

The Government of Pakistan had increased Cotton Cess from Rs. 20.00/- to Rs. 50.00/- to Rs. 50.00/- per bale of 170 kgs. w.e.f. 01-01-2011 in order to meet the administrative, research and development expenditures of the Pakistan Central Cotton Committee.

Rs. 50.00/- per bale of 170 kgs. w.e.f. 01-01-2011 in order to meet the administrative, research and development expenditures of the Pakistan Central Cotton Committee.

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The KCA would urge upon the Government to activate its Cotton Research Organizations/Institutes to evolve new cotton seeds varieties for cultivation so that the production of cotton could be increased in the coming years.

### **RESUMPTION OF HEDGE TRADING IN COTTON**

Hedge Trading in cotton is a special segment of trade. The KCA used to perform Hedge Trading in Cotton since 1934. Following the nationalization of export trade and establishment of Cotton Export Corporation of Pakistan in the Public Sector, the Hedge Trading in cotton was suspended by an administrative order of the Government of Pakistan in 1976.

As per the reports published in the Section of press, the Cabinet, in their meeting held on 24-03-2005 has, in principle, agreed to accord approval to regulate Cotton Hedge Trading to the Ministry of Commerce under the provisions of the Cotton Act, 1957. Now the matters of resumption of Hedge Trading in Cotton has been transferred to Ministry of Textile Industry.

In view of its significance and utility in marketing of cotton, the KCA would continue stress upon the Government to allow resumption of Hedge Trading in Cotton under the aegis of the KCA at the earliest for the proper conduct of national and international trade in cotton and for efficient marketing of cotton crop in Pakistan.

### **PROVISION FOR THE PURCHASE OF ONE USTER HVI 1000 FOR THE KCA'S FIBER TESTING LABORATORY**

On the recommendation of Ministry of Textile Industry, Government of Pakistan, the Board of Administrators of Export Development Fund (EDF) in its 60<sup>th</sup> Meeting held on 26-11-2012 at Islamabad approved/sanctioned funds amounting to Rs. 28.5 million out of Export Development Fund for purchase of one Uster HVI 1000 (the Fiber Classification and

Analysis System) by the Karachi Cotton Association so that much needed Cotton Testing facility should be provided to the Cotton Exporters, Textile Mills and Cotton Merchants through the KCA's Fiber Testing Laboratory.

Subsequently, the TDAP, Karachi had released an amount of Rs. 10.0 million to the Karachi Cotton Association, out of sanctioned Funds of Rs. 28.5 million, for purchase of one Uster HVI 1000 (the Fiber Classification and Analysis System) upon identification of said partial funds by the EDF Secretariat, Ministry of Commerce, Government of Pakistan, Islamabad.

The KCA would urge upon the Finance Division, Ministry of Finance, Government of Pakistan, Islamabad to release the remaining funds of Rs.18.5 million to the Ministry of Commerce (EDF, Secretariat) Government of Pakistan, Islamabad so that the same could be released to the KCA as early as possible and the KCA might be able to import one Uster HVI 1000 (the Fiber Classification and Analysis System) for the KCA's Fiber Testing Laboratory at the earliest in order to provide much needed cotton testing facility to the Cotton Exporters, Textile Mills and Cotton Merchants through its Fiber Testing Laboratory.

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