



**Enhancing Efficiency in Cotton Value Chain
(Pakistan's Perspective)**
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Scheme of Presentation

- Introduction.
- Over view of cotton sector, Pakistan.
- Importance of Textile Sector.
- Global Ranking of Pakistan.
- Cotton Value Chain.
- Complete value chain (unique feature of Pakistan economy)
- Capacity of Textile sector.
- Value addition in Textile value chain

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- **Investment requirement** in Textile Value Chain
- **Cotton Cultivation yield trends**
- **Initiatives** by Government under Textile Policy
 - Research Report
 - Registration Database (Online)
 - Holding of regular meeting
 - Training Programs for farmers
 - First Ginning institute started
 - Cotton Cess Collection Act (computerized)
 - Better Coordination with other Ministries
 - Textile Business portal have been developed
 - Replacement of 49 HS code with 83 HS code


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- **Policy Intervention.**
 - Review of Tariff Structure for entire supply chain.
 - Policy Advice on manmade fibre.
 - Simplification of Temporary input Scheme.
 - Important role in product Diversification.
 - Product Development Fund.
- **Budgetary Measures 2016-17.**
 - Zero rate for five export oriented sector including textile.
 - Pending sales tax refund cases.
 - Technology up-gradation fund.
 - Duty free import of Textile Machinery.
 - Reduction in Mark-up rates on Export finance.
 - Reduction on long term Financing facility.
- **Conclusion**

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**“No race can progress till it
learns tilling of field is as
honorable as writing poem”.**

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Overview of Cotton Sector




- Cotton largest revenue earning non food crop
- 250 million people world wide earn bread / butter
- Cotton consumption in Value Chain holds immense potential for enhancing livelihood

> Cotton Value Chain Sector:


- Share in value addition 21%
- Contribute GDP 8%
- Generate employment 40%

Never regarded as integrated economic in inspite of being blessed with abundant raw material, cheap labor.

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Cotton Value Chain



- Comprise of different stages, different stake holders
- Represent sequential series of activities
- Effective Value Chain reduce cost of doing business
- Each point in value crucial having capability to break down

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Cotton Journey from Farm to Fabric


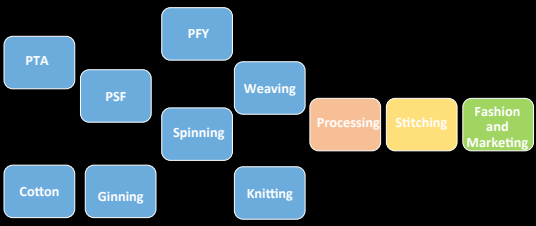


- Cotton crop picked in seed either mechanically or manually
- Pods sent to Ginning Mills to separate cotton fiber from pod
- Fiber sent to Spinning
- White hank yarn sold to hand loom or power loom operator for production
- Fabric

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Unique complete value chain (Pakistan)


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    graph TD
      Cotton --> Ginning
      Ginning --> Spinning
      Spinning --> Weaving
      Weaving --> Processing
      Processing --> Stitching
      Stitching --> Fashion_Marketing
      PTA --- Ginning
      PSF --- Spinning
      PFY --- Weaving
      Knitting --- Spinning
  
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Capacity of Cotton Value Chain




The textiles sector in the country represents a complete value chain with

- 10-14 million bales of cotton production
- 500,000 tons capacity of PTA production
- 650,000 tons of manmade fibers including polyester fiber

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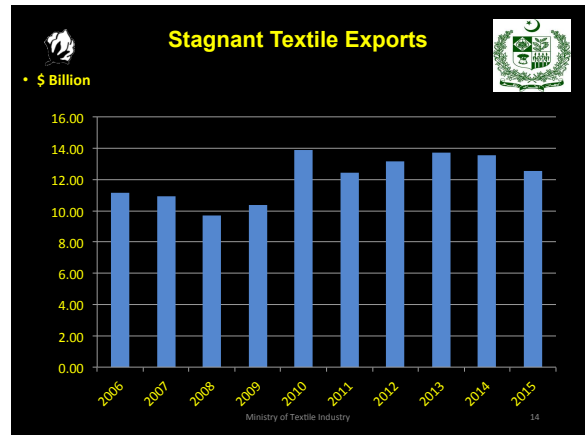


Capacity of Cotton Value Chain



- 21 filament yarn units having capacity of 100,000 tons capacity
- 13.3 million spindles, 0.03 million rotors
- 35,000 shuttle-less looms, 350,000 power looms
- 18,000 knitting machines
- Around 765 processing units
- 700,000 industrial stitching machines

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- ### Factors in Declining Export
- Exports potential not realized fully due depressed commodity price
 - Slowdown in major markets
 - Lack of competitiveness
 - Market access
 - Expansion factor of Textile increased upto US\$ 212 from 9 to 10 billion 2016
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- ### Cotton Cultivation and Yield Trends
- 2nd largest crop after wheat
 - Unable to meet domestic demand
 - Import mainly from India, USA, Uzbekistan
- #### Yield Trends
- Varied over decades
 - Low production due to pest attack
 - Climate change
 - Delayed cotton planting
 - All These factors impact negatively
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Cotton Global outlook


Cotton production estimated in bales (480 lbs) by USDA in March, 2016

	2014-15	2015-16
India	38.28	36.18
China	38.12	30.41
USA	20.90	16.59
Pakistan	13.56	9.47
Brazil	9.12	5.06
Uzbekistan	5.21	5.06
World	153.71	132.12


(USA & National council's Report March 2016)

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- ### Factors of decline in Cotton Production
- Cotton production decline 40% of target i.e.15.4 millions bales but decline in global, low productivity is due to:
- Pest attack
 - Non improved variety of seeds
 - Climate change more number of rainy days caused
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Factors of decline in Cotton Production




- Delay in cotton plantation
- High humidity conducive for series of pest like white fly / pink boll worm
- Pricing factors; lower cotton price effect negatively to the growers
- Economics, social and environmental factors are hurdles in sustainability of cotton value chain

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Steps for enhancing efficiency in Cotton Value Chain




- Cotton cultivation is planned to be promoted in KPK and Baluchistan
- For improving yield timely inputs credit facility
- Emphasis on the quality of better seeds
- Promotion of research and development for seed resistance to disease
- Reducing input cost and increasing profitability

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Initiative of Government for enhancement of a Cotton Value Chain



- Textile policy package 2009-14 made for development agenda to compete regional partner
- Introduced federal budget
- Research report published
- Online registration data base policy
- Data coordination with PCCC, State Bank and TCO

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Budgetary Measure for enhancing efficiency Cotton Value Chain




- Textile policy 2014-19 based actionable plan to make Textile sector efficient sustainable and competitive.
- Main goal to utilize comparative advantage by increasing competitiveness.
- Use of technology for entire value chain.

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Budgetary Measure for enhancing efficiency Cotton Value Chain




- Drawback on Local Taxes and Levies (DLTL) on export of textile product on FOB.
- Easy finance facilities Mark up rate brought down from 9% to 3%.
- Long Term Financing for up-gradation of technology at rate 9% for 3-10 years.
- Tariff on Machinery import – Duty free.
- Pending sales tax cases paid by 2016.

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Budgetary Measure for enhancing efficiency Cotton Value Chain



- Zero rated sales for export oriented sector including textile.
- Existing scheme of duty draw back scheme on local taxes will continue



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Conclusion

- Value chain is the full range of activities including production design marketing and distribution to improve efficiency in developing country holistic approach is required.
- Holistic Policy be adopted
- Capacity Building
- Investment in environmentally friendly cotton production



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Conclusion

- Strengthen regulation on use of toxic chemicals
- Climate change strategy
- Public private partnership
- Adoption of worker training program
- Farmers
- Ginners
- Spinners
- Manufacturers
- Trade bodies

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Thanks

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