

Direction is Clear For Pakistan's Spinning Industry

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Pakistan is one of the ancient homes of cultivated cotton in the world. The people of the Indus Valley cultivated cotton and used cotton cloth some 5,000 years ago. Moreover, Pakistan's cotton is one of the best in the world and has a comparative advantage in its production, due to its most suitable soil and climate. With the use of limited pesticides, cotton can be grown having a very bright colour. The local cotton grown in Pakistan typically has a maximum staple length of 29.8 mm and it almost meets 90% of the local requirement. However, varieties have been developed more recently with up to 32 mm staple, which makes the spinning value up to 50s count. Pakistan cotton is very good for knitting yarn and also has a strong and lasting dye affinity.

Pakistan's spinning mills had been traditionally dependent on local cotton for medium counts, but since the 2003/2004 crop failure, many spinning mills have developed cotton procurement programs based on imports.

Spinning capacity is on the rise in Pakistan and has reached a total of 13 million spindles (the accompanying chart shows only spindles in APTMA member mills). A further 800,000 are in the pipeline for installation during 2006. In the last five years, 3.5 million spindles have been added

to Pakistan's spinning capacity. The cotton requirement to feed this expanded capacity will be around 16 million bales (170 kg each). Thus, dependence on imports is expected to increase with every passing year. At the present rate of expansion in spindleage, by 2010 Pakistan's spinning industry will consume 20 million bales (170kg each). Moreover, since the beginning of 2005, the American textile market has opened up for textile fabric imports. The requirement

of the American market is for cloth spun from yarn counts higher than 40s, which are not the traditional counts spun from Pakistan domestic cotton. Therefore, Pakistan spinning mills have turned to import long staple cotton to fulfil this increasing demand, which is evident by the fact that in the last three seasons (2002/03, 2003/04 and 2004/05) Pakistan has emerged as the single largest importer of US Pima in the world.

The accompanying table explains the feasibility of imports versus local cotton at November 2005, for cotton to be consumed in February 2006 (Rs/Md = rupees per maund or 37.32 kilos).

The Pakistan textile industry has to join hands with local growers and ginners to improve and increase cotton production to meet the future requirements of the industry. This can be achieved by expanding cotton plantings and improving yields, both of which would arise from increased revenues for growers. The following are the major steps needed to be taken by all stakeholders in the cotton economy:

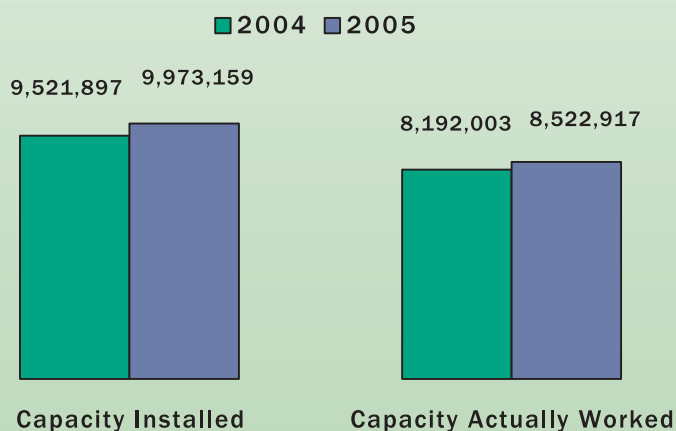
1. Crop estimation system

The industry needs to develop a more scientific method of calculating the cotton crop. All stakeholders should be involved in the process of data collection and periodic surveys, all the way from sowing to harvesting.

2. Modernisation of ginneries

To bring about change in this area, the textile industry needs to work with ginners and growers. All the major steps required to develop the cotton industry in Pakistan should be completed phase by phase, through upgrading and modernising the system, the work processes, machinery and through training. From the quality point of view, a

Capacity in Spindles



ginning factory should be equipped with; (i) cotton cleaning machines to reduce trash, (ii) an automatic bale press and conveyers, to eliminate labour involvement and (iii) good civil infrastructure to prevent contamination during transportation.

3. Production of contamination and trash-free cotton

The types of contamination which are normally found in domestic cotton are; cloth fragments and coloured material, dyed yarn and hairs, polyethylene and polypropylene, pieces of wood, metal and feathers. Cotton contamination is a serious problem for the spinning sector during different processes, from the blow room to winding. For better quality results, it is necessary that cotton must be contamination-free. At present, the removal of contamination has to be done manually or by machines and this directly affects the spinners' margins of profit. Even with the best of efforts, contamination cannot be removed 100% from cotton. Contamination such as white polythene and white wrapper can also affect the colour of cotton yarn. Eventually due to this entire problem other things like loss of machine efficiency, production losses and production of hard waste also occur. During the weaving process, contamination in yarn causes warping, breakage and can damage looms. This also creates low efficiency and production losses. Moreover, the dye affinity of contamination is not the same as cotton, which shows up in the finished product.

4. Genetically modified seeds

Many large cotton-producing countries have made major strides in the development of new, genetically modified seeds. Pakistan has been left behind and is one of the few major producing countries using conventional seed varieties. As a result, yield per hectare in Pakistan has

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been pretty much stagnant. Some of the other reasons for low yields include fragmented land holdings and ineffective transfer of agriculture technologies.

5. Standardisation of cotton quality

A major drawback faced by the local cotton industry is the non-standardisation of cotton qualities. The standard world practice is to define cotton by quality, staple length, strength, and Micronaire. In Pakistan, cotton is only defined by seed variety. There is a need to develop across the board a system that collects HVI data at every level of cotton production. This data should be used to develop standards of cotton based on strength, quality, staple length and Micronaire. These standards can then be used to market the local crop.

This was a summary of the direction in which Pakistan's spinning industry is heading and the steps needed to assure growth and the long-term viability of the industry.

Parity of Local Purchase Vs Imported Cotton

	Unit/Rate	Value	Value	Value	Value	Value	Value
Import							
Invoice Value	\$/Lb	0.50	0.51	0.52	0.53	0.54	0.55
Invoice Value	Rs/Md	2,469	2,518	2,567	2,617	2,666	2,715
Import expenses	4%	99	101	103	105	107	109
		2,568	2,619	2,670	2,722	2,773	2,824
Yield advantage adjusted price*	10%	2,311	2,357	2,403	2,449	2,495	2,542
Add: Loss of waste recovery**	Rs/Md	35	35	35	35	35	35
	Rs/Md	2,346	2,392	2,438	2,484	2,530	2,577
One month carrying costs	6%	12.34	12.59	12.84	13.08	13.33	13.58
Cost for Feb 06 Consumption	Rs/Md	2,358	2,404	2,451	2,497	2,544	2,590
Local							
November Local Purchase	Rs/Md	2,257	2,302	2,347	2,392	2,437	2,483
Add: Commission	Rs/Md	30	30	30	30	30	30
	Rs/Md	2,287	2,332	2,377	2,422	2,467	2,513
Three months carrying costs	12%	71	72	74	75	76	77.71
Cost for Feb 06 Consumption	Rs/Md	2,358	2,404	2,451	2,497	2,544	2,590

*price advantage gleaned from not having to clean cotton

**loss in earnings from the lack of saleable waste by-products created