



Center for Global &
Strategic Studies

SEMINAR REPORT

Need for Revolutionizing the
Cotton Industry in Pakistan

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Printed in Pakistan

Published in February, 2018

ISBN 978 969 7733 14 9

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Seminar Report

“Need for Revolutionizing the Cotton Industry in Pakistan”



Organized by
Center for Global & Strategic Studies, Islamabad
at
Margala Hotel, Islamabad
on
24th January 2018

Participants

The Seminar was attended by almost 250 participants including government representatives, retired senior armed forces officers, diplomats, and experts from textile and cotton industry.

Host Lieutenant General Muhammad Zahir UI Islam, HI(M), (Retd) -
Chairman, Center for Global & Strategic Studies (CGSS)

Guest Speakers Mr. Malik Zahoor Ahmed – Senior Advisor Ministry of National
Food Security and Research

Dr. Yusuf Zafar – Chairman Pakistan Agricultural Research
Council (PARC)

Ali Pervaiz Malik- Chairman Punjab, All Pakistan Textile Mills
Association (APTMA)

Mr. Mukhtar Ahmed Khan Baloch – Former Chairman Pakistan
Cotton Ginners Association

Dr. Irfan Baig - Dean Faculty of Social Sciences & Humanities,
Muhammad Nawaz Sharif University of Agriculture, Multan

Mr. Khalid Abdullah – Cotton Commissioner, Ministry of Textile,
Government of Pakistan

Mr. Jassu Mal, Former Chairman Pakistan Cotton Ginners
Association

Introduction of the Speakers

Mr. Malik Zahoor Ahmed – Senior Advisor Ministry of National Food Security and Research

Mr. Malik Zahoor Ahmed is Senior Advisor Ministry of National Food Security and Research. A seasoned mass communications specialist, diplomat and Public Administrator with intimate knowledge of the strengths and weaknesses of Pakistani society at urban and grassroots level. Headed and skillfully managed various Projects of immense national importance. Demonstrated ability in effective liaison and coordination with various international agencies marked by close personal relationships with US-AID and American Embassy at fairly higher level. An effective member of the team negotiating Pakistan-US Strategic Dialogue with personal rapport with late Richard Holbrooke. He is also the Chairman of the Afghanistan - Pakistan – United States Trilateral Secretariat on agriculture.



Dr. Yusuf Zafar – Chairman Pakistan Agricultural Research Council (PARC)

Dr. Yusuf has served as Head of Division Plant Biotech and Director, National Institute for Biotechnology and Genetic Engineering at Pakistan Atomic Energy from 1992 to 2007. Later, he was appointed as the Director General of Pakistan Atomic Energy. Currently, he is working as Chairman Pakistan Agricultural Research Council.



**Ali Pervaiz Malik- Chairman Punjab, All Pakistan Textile Mills Association
(APTMA)**

Mr. Ali Parvaiz Malik is the Chairman, All Pakistan Textile Mills Association, Punjab, the premier textile industry association of the country. He is also the Chief Executive of Akram Cotton Mills Ltd. Mr. Malik was previously the Assistant Vice President Credit Portfolio Management Group of ABN AMRO Bank N.V. He was responsible for managing counterparty risks of portfolios of leading Automotive, Consumer Food and Diversified companies including Nishat Group, Nestle Milkpak Ltd., Coca-Cola Company, Fazal Group, Millat Tractors and Honda Atlas Cars Pak. Ltd. He is also the Board Member of Technical Education & Vocational Training Authority (TEVTA) of the Government of Punjab.



**Mr. Mukhtar Ahmed Khan Baloch – Former Chairman Pakistan Cotton Ginners
Association**

Mr. Mukhtar Ahmad Khan Baloch is the Former Chairman Pakistan Cotton Ginners Association. Mr. Mukhtar is a well-known businessman in south Punjab. He has business experience of 35 years in Pakistan. He is engaged in the business of Cotton and Cotton Ginning since, 1982 and is operating two Ginning Units in Punjab. He was elected Chairman Pakistan Cotton Ginners' Association (PCGA) and has been elected as the executive committee member of PCGA and FPCCI several times. Mr. Mukhtar is a visionary businessman holding a good reputation among financial and business circles in Pakistan.



Dr. Irfan Baig - Dean Faculty of Social Sciences & Humanities, Muhammad Nawaz Sharif University of Agriculture, Multan

Dr. Irfan Baig is Dean Faculty of Social Sciences & Humanities, Muhammad Nawaz Sharif University of Agriculture, Multan. Dr. Baig has nineteen years of experience in teaching, scientific research, capacity development, monitoring and evaluation. His professional experience includes work with multiple national and international organizations. He has also worked on several projects pertaining to agricultural and economic development. Currently, he is the acting Dean of Faculty of Social Sciences & Humanities, Muhammad Nawaz Sharif Agriculture University Multan.



Mr. Khalid Abdullah – Cotton Commissioner, Ministry of Textile

Dr. Khalid Abdullah is Cotton Commissioner, Ministry of Textile. Dr. Abdullah joined Ministry of Food and Agriculture as Cotton Commissioner and Ministry of Textile Industry in July 2011. He recommends policy guidelines and future strategy to federal government about development of cotton and consistent supply of raw material to our textile industries. Dr. Abdullah is also working as Vice President of Pakistan Central Cotton Committee (PCCC), an apex cotton research and development organization in Pakistan with over 700 employees and 10 stations and institutes across the country.



Opening Remarks

Lieutenant General Muhammad Zahir UI Islam HI(M), (Retd) – Chairman CGSS

Lieutenant General Muhammad Zahir UI Islam HI(M), (Retd) – Chairman CGSS, welcomed the esteemed guests to the seminar titled “Need for Revolutionizing the Cotton Industry in Pakistan”. He said:

COTTON, which is also known as ‘white gold’, is an important crop in many developing countries. The yield of the crop is dependent upon the environment in which it is grown and the management practices of the cropping system. Cotton is an important economic asset of Pakistan and a natural fibre used primarily as a raw material in the textile industry.



We all understand the importance of cotton. Pakistan is the fifth largest producer of cotton in the world, the third largest exporter of raw cotton, the fourth largest consumer of cotton, and the largest exporter of cotton yarn. 1.3 million farmers (out of a total of 5 million) cultivate cotton over 3 million hectares, covering 15 percent of the cultivable area in the country. Cotton and cotton products contribute about 10 percent to GDP and 55 percent of the foreign exchange earnings of the country.

Cotton production is facing many social as well as economic problems such as illiterate farming community, high cost of inputs, small landholdings, less adaptability of innovations by the farmers, lack of guidance to farmers, high cost of production and insecurity in the market while the cost of production being the most significant among them.

The economy of Pakistan is highly dependent on its cotton and textile sectors, which faces significant challenges and opportunities in an environment of fluctuating world prices, macroeconomic instability, and changes in the global trade regime for textiles and

apparel. Yet there is limited systematic analysis available that can help us understand the linkages between these sectors and the effects of their performance on the country's economy.

Considering such a high importance of the cotton crop in the national economy, the problems and issues pertaining to this crop should be very carefully evaluated and monitored.

I would like to suggest few measures such as:

- Improve quality standards
- Move into production of synthetic fiber
- Invest in R&D of different types of cotton, especially long staple superior variety
- Technology up- gradation & capacity building
- The interest rate should be lowered in order to let the industry survive

Speaker 1

Mr. Malik Zahoor Ahmed, Senior Advisor Ministry of National Food Security and Research



Mr. Malik Zahoor Ahmed delivered his speech on the “Impact of Cotton and Textile Industry on the Economy of Pakistan”. He dilated upon the following points:

While expressing his gratitude for being invited to speak on a topic which is very close to his heart, he stressed on the significance of cotton as it is the source of bread and butter for millions of people in Pakistan.

He remarked that cotton symbolizes civilizations. Historically, cotton and mankind are interconnected since the start of civilization and the cotton's history started when the man converted simple fibre into thread, fabric and textile through modern innovations. The world's finest cotton was found during Mohenjo-Daro's excavations. Cotton made

markets, shaped industries; cotton built empires and also brought prosperity while enabling the countries to buy food for the poorest segments of society. However, there are three important questions which need to be answered:-

- Can we lead cotton farmers into perpetual prosperity?
- Can we produce pollution-free cotton?
- Can we produce cotton which is in full consonance with the ecology and environment?

Pakistan occupies a prominent position in terms of cotton statistics and it is the fourth largest cotton producer, third largest cotton consumer, second largest exporter of cotton yarn. However, we need to introspect and ask ourselves, are we satisfied with such statistics?

Perhaps it is not sufficient enough to depict the real picture. In his opinion, it is also a fact that such facts and figures are heavily manipulated. There is a growing disconnect between what the figures are reflecting and what actually is going on the ground with regard to farmers community. He said, the techniques of production being employed and used must be improved. To support his argument, he quoted the 9th President of Turkey, Süleyman Gündoğdu Demirel, who stated that “statistics will reveal everything except for essentials”. The policymakers in Pakistan need to come out of the statistical complexities and benefit the farmers on the ground. He lamented that countries who were trailing far behind us have moved ahead of Pakistan such as ‘Bangladesh’.

While quoting the Nobel laureate Samuel Beckett’s book, titled “Waiting for Godot”, wherein he has criticized the system which teaches the children that, for each good or bad instance happened anywhere, GOD is solely responsible for convenience while lacking the emphasis on their own faults. He elaborated the point by stating that unless one doesn’t do something for themselves, then it is unlikely that even heavens are prepared to help them either.

Mr Malik was of the opinion that in Pakistan, we face political, bureaucratic and research problems. He appreciated the role of research think tanks that are playing their role in this

regard. Think-tanks help shape the policymaking and mobilise different kind of expertise which offers government with diverse perspectives.

He said that the agriculture is an important component of economy and Pakistan is dependent on agriculture, therefore, both economy and national security are linked together. Furthermore, he appreciated the efforts of Lieutenant General Muhammad Zahir UI Islam HI(M), (Retd) – Chairman CGSS for organizing a seminar on the cotton industry of Pakistan.

He suggested that the research should be taken to the doorsteps of the farmer. It is very important that the ordinary farmer adapts to the fast changing farming methods.

Secondly, the bureaucrats have to implement the policies crafted by the politicians on ground. Therefore, it is of paramount importance that the bureaucrats are actively involved while sitting in the meeting with the government, they should play the role of enlightening the government on the factual realities so that the policies could be effectively implemented.



Speaker 2

Mr. Ali Pervaiz Malik, Chairman, All Pakistan Textile Mills Association, Punjab

Mr. Ali Pervaiz Malik spoke on the topic “Reasons for the Fall of Textile Industry in Pakistan”.

To highlight the importance of the textile industry in Pakistan, he made the following pertinent observations:

Importance of Cotton Industry in Pakistan: The cotton industry generates 3 million direct and 15 million indirect jobs. Seventy percent of this industry is located in Punjab.



Regional Comparison: India’s exports in textiles have increased by thirty percent in past few years. Bangladesh exports increased by sixty percent and Vietnam by over hundred percent while Sri Lanka has gone up by twenty percent. Pakistan is the only regional country with ten percent drop in exports which is a cause of concern. The details are given below:

TEXTILE & CLOTHING EXPORTS GROWTH								
Value \$ “Billion”								
Countries	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	% Change 2011-17
India	27.7	32.9	32.3	35.4	37.6	36.3	36.4	31%
Bangladesh	19	21.4	24.6	28.4	30.7	31.8	31	63%
Vietnam	15.2	16.7	18.1	21.5	25.2	28.4	31.5	107%
Sri Lanka	4.1	4.2	4	4.5	4.93	4.82	4.9	20%
Pakistan	13.8	12.4	13.1	13.7	13.5	12.5	12.5	* -10%

* Exports under GSP Plus since January 2014, T&C exports to EU increased by 51%.

Growing Trade Deficit: The speaker applauded the present government for its efforts to curb terrorism and improving law and order as well as supplying the energy to the industries. However, in the context of growing trade deficit, he expressed his concerns

and urged the government to chalk out effective remedial measures in order to improve the prevailing situation. The exports for the current year are projected at 22 billion dollars while the import bill is projected at 58 billion dollars while trade deficit amounts to 36 billion dollars. He emphasized that despite this declining environment, the textile is one sector whose share in exports has gone up from 55 to 62 percent. Hence, it is not only the textile sector that is marred with issues but it's a much bigger structural problem and needs to be sorted out.

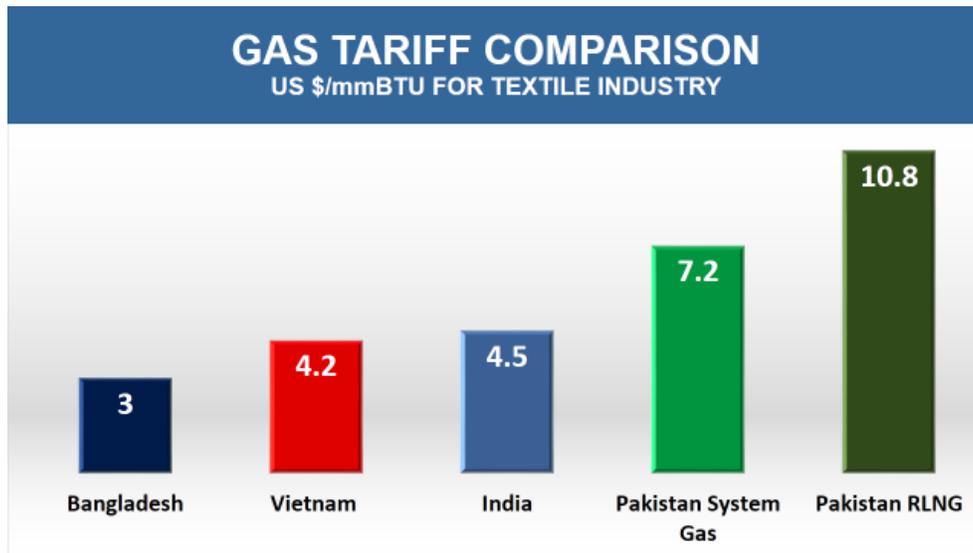
GROWING TRADE DEFICIT			
US \$ MILLION			
Commodities	FY 16	FY 17	FY 18 Projected
Exports	20,802	20,448	22,014
Imports	44,765	53,026	57,940
Trade Deficit-Goods	(23,963)	(32,578)	(35,926)
Trade in Services -Deficit	(2,400)	(3,573)	(5,030)
Total Deficit in Goods & Services	(26,363)	(36,151)	(40,956)
Remittances inflow	19,915	19,304	19,490
Total External Deficit	(6,448)	(16,847)	(21,446)

The APTMA Punjab Chairman underscored an important point that the import bill for the fiscal year 2018 is expected to go up by five billion dollars, however, there is no substantial increase in import of the machinery segment and is expected to remain stable as the last year level. Hence, the imports are mainly based on consumption-driven products. In this environment, our domestic manufacturing is replaced with cheap inputs and dumping from abroad.

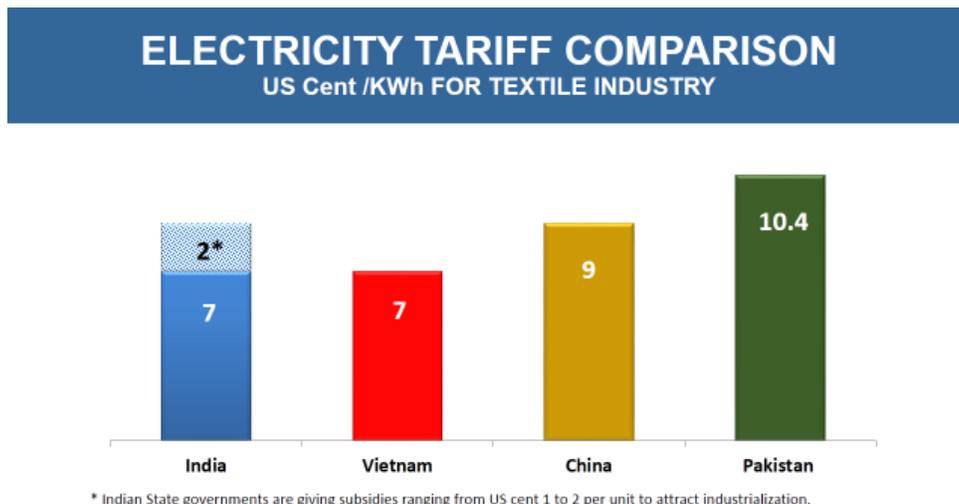
Thirdly, when import cover drops to less than 2 months, the possibility of going after monetary institutions for deficit financing increases. In view of the current picture, it can be inferred that we are currently not in a comfortable position. Hence, efforts need to be undertaken to take care of the economic situation prevailing in the country.

Gas Tariff Comparison with Regional Countries: The speaker illustrated the vast disparity between Pakistan's gas tariffs with the regional countries through graphical representation. He informed the audience about the pricing inside the country. For

instance, Pakistan is paying 11 dollars per mmBTU, which is very high as compared to other regional countries. Hence, the industry loses a comparative advantage to the regional competitors. Furthermore, Sindh and Khyber Pakhtunkhwa (KP) have challenged the pricing formula and the prices are less than Punjab and subject to the final verdict of the court.

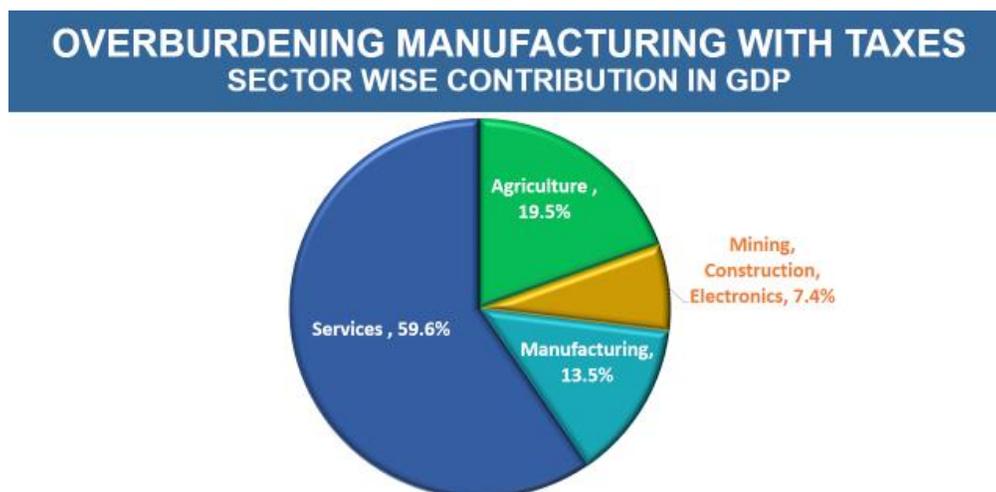


Power Tariff Comparison with Regional Countries: The speaker illustrated the power tariffs prevalent in the regional countries and urged the government to reduce the disparity. He reasoned that Pakistan’s tariff of 10.4 dollars per KWh is the highest which needs to be cut down if we want our textile industry to be competitive.



Energy Price Disparity - Comparison of a Textile Mill: The challenges facing the Punjab textile mills were explained with the help of 'Energy Price Disparity Vis a Vis Sindh and KP' in terms of differential cost. He argued that at 25000 spindles, 2.5 MWh electricity is utilized, hence, with the given the figures, a textile mill in Punjab has to pay 150 million rupees more than the comparable mills in Sindh and KP.

Overburdening Manufacturing with Taxes: Mr. Ali Pervaiz Malik was of the opinion that the industries are expected to cross subsidize the theft and pilferage in the power sector and complained that the government is overburdening this sector with unjustified taxes. He underscored an important point that the manufacturing sector is contributing about 13.5 percent of the GDP, yet it is burdened with 50 percent of the tax load. He was of the opinion that it is highly unlikely for the industry to be competitive in the prevailing environment.



Declining Cotton Production: The speaker informed the audience that according to the figures, cotton area and production has declined in Punjab by 30% & 38% respectively since 2011. Furthermore, from 2011 to 2017, the cotton area in Punjab has decreased by 36 percent per million hectares. While cotton production decreased by 21 percent and 28 percent in Punjab and Sindh respectively. Similarly, the cotton yield decreased by 7 and 35 percent in Punjab and Sindh respectively, in the same period. Mr. Ali Pervaiz Malik

was of the opinion that if the yield production is increased per million hectares, we can achieve the target of 15 million bales and there is a whole science about increasing the productivity which needs to be employed to obtain better results.

DECLINING COTTON PRODUCTION

COUNTRY/ PROVINCE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	% Change 2011-17
COTTON AREA (million hectares)							
PAKISTAN	2.86	2.88	2.80	2.89	2.86	2.41	-16%
PUNJAB	2.53	2.31	2.22	2.32	2.24	1.77	-30%
SINDH	0.26	0.53	0.57	0.63	0.62	0.63	146%
COTTON PRODUCTION (million bales)							
PAKISTAN	13.60	13.03	12.77	14.86	9.77	10.73	-21%
PUNJAB	11.13	9.52	9.15	10.90	6.00	6.94	-38%
SINDH	2.36	3.40	3.52	3.98	3.77	3.79	61%
COTTON YIELD (Kgs. per hectare)							
PAKISTAN	815	769	774	782	508	756	-7%
PUNJAB	747	701	707	712	421	664	-11%
SINDH	1,546	1,090	1,055	1,064	939	1,012	-35%

Global Cotton Yield Growth: In order to ascertain the regional position relative to competitors such as India and China, the APTMA Punjab Chairman was of the opinion that both the competitors improved their yield while Pakistan's productivity deteriorated. Furthermore, India's yield is less as compared to Pakistan's; however, they have been able to increase their yield comparatively. The reason for low yield in India in comparison to Pakistan was cited as the farming of cotton on the rain fed regions as opposed to irrigated lands. The speaker cited China as more pertinent to Pakistan owing to irrigated cotton base. China's productivity in Xinjiang region is more than double the Pakistan's productivity.

GLOBAL COTTON YIELD GROWTH

Country	Yield Kg/hec		
	2011-12	2016-17	% Change
China	1,345	1,708	27%
India	518	542	5%
Pakistan	815	756	-7%

Import of Cotton: To ascertain the non-competitiveness of cotton industry, the speaker cited crop failures, high cost of doing business and certain steps taken by the policy makers. He was of the opinion that such steps were short-sighted which contributed to poor performance of the cotton industry. He stated that Pakistan excessively imported cotton yarn and man-made yarn from 2014-17. This trend has contributed to the shutting down of mills. In addition, the bulk of cotton yarn is imported from India which resulted in the dependence on India and damaging the domestic cotton industry in Pakistan. Hence conscious attention of policymakers is needed to support this industry.

IMPORT OF COTTON & MMF YARNS (Tons)		
Years	Cotton Yarn	MMF Yarn
2014-15	27,666	45,505
2015-16	50,776	49,930
2016-17	78,243	51,787
2017-18 (Annualized)	93,024	47,490

Policy Implementation Gap: Mr. Ali Pervaiz Malik stated that the textile policies of 2009-14 and 2014-2019 have not been implemented diligently. These policies convey the commitment of the government to better the textile industries. He also touched upon the topic of sales refunds which are to be paid to the exporters, however, owing to certain compulsions, the government is unable to fulfil it, and hence, the cost for exporters is increased. He also expressed concerns about the policy of imposing duties on the raw materials which makes the exports unviable and in the long run, it will make the farmer feel the positive trickle-down effects.

POLICY IMPLEMENTATION GAP

Policies	Implementation
• Textile Policy 2009-14	15%
• Textile Policy 2014-19	5%
PM Export Led Growth Package (10 Jan 2017) Rs. 180 billion	
• Refund Against Duty Drawback (Jan-Jun 2017)	Only Rs.15 billion
• Allocation For 2017-18	Pending
• Sales Tax Refunds	Pending
• 4% Custom duty & 5% sales tax on cotton import	Reimposed

Suggestive Measures for Viability & Growth

Mr. Ali Pervaiz Malik suggested the following measures to improve the cotton industry of Pakistan:

- In order to remove inter-provincial disparity in gas prices, 'Weighted Average Cost of Gas' should be used to provide uniform gas pricing across the country.
- The power costs should be reduced to the regional competitors in order to make the cotton industry more competitive. Five exporting sectors that are zero rated by Federal Board Revenue (FBR) should be also zero rated from different tariff equalization surcharges of Rs. 3.53/kWh to bring the tariff in line with regional competitors.
- Removal of the cross subsidies from the industries. Impact of the elimination of cross subsidies of Rs.3.53/kWh to revive the Industry is estimated at 22 billion rupees per annum.
- Provide RLNG/System gas (inclusive of GIDC) at Rs.600/mm BTU throughout Pakistan.
- Withdraw surcharges (Rs. 3.53/kWh) to bring electricity tariff at par with region @ 7 US cents/kWh. Ethically it is inappropriate to make industry pay someone else's theft.

- Cotton research institutes should be revamped on modern lines to ensure vertical growth. The increase in cotton area should be focused to achieve the horizontal growth.
- No market intervention to distort cotton trade in order to ensure free market mechanism.
- Direct subsidy should be given to cotton farmers to ensure their viability.
- Immediate payment of all refunds of the industry pending on account of sales tax, income tax, customs duty drawback & textile policy initiatives.
- Indirect exports should be made eligible under long-term financing facilities (LTFF) scheme including Islamic mode of financing.
- Incentives should be structured to ensure preference for domestically produced material for the viability of textile value chain starting from cotton.
- Encourage foreign brands for establishing buying houses in Pakistan
- Renegotiate Free Trade Agreements (FTA's) especially with countries like China to improve market access for major Pakistani textile exports.

Export Potential: Mr. Ali Pervaiz Malik concluded his enlightening speech with the optimistic note that if all the corrective measures are undertaken diligently, the cotton industry alone has the potential to achieve the export target of 28.5 billion dollars.

EXPORT POTENTIAL

Detail	Unit	Volume
Surplus Yarn	Million KG	740
Surplus Greige Fabric	Million SQM	954
Surplus Processed Fabric	Million SQM	1,671
Processed fabric if surplus yarn & Greige converted	Million SQM	5,584
Additional Exports Potential (converted into garments)	Value	\$ 11.9 Billion
Revival of Closed Capacity Potential	Value	\$ 4.1 Billion
Existing T&C Exports	Value	\$ 12.5 Billion
Total Export Potential	Value	\$ 28.5 Billion

Speaker 3

Dr. Yusuf Zafar, Chairman Pakistan Agriculture Research Council (PARC)



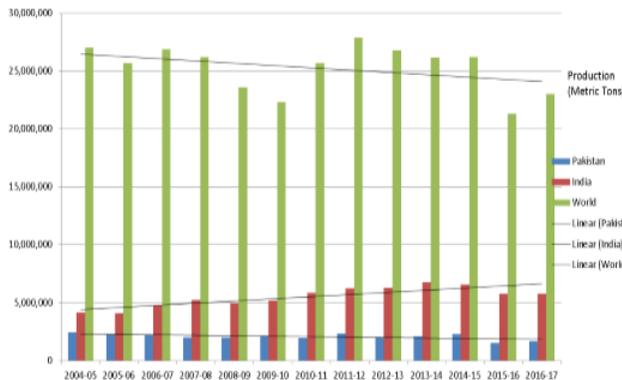
Dr. Yusuf Zafar acknowledged Center for Global & Strategic Studies (CGSS) and Pakistan Cotton Ginners Association for providing an opportunity to address the audience on the topic of 'Risk Management and Option strategies for Cotton Production in Pakistan'.

He stated that since the inception of Pakistan, it has significantly increased per acre yield of cotton and according to the APTMA figures; Pakistan has surpassed the US in this regard. He was of the opinion that till today, Pakistan has an edge over India in cotton yield production. However, our area remained the same while India continued to pursue horizontal growth.

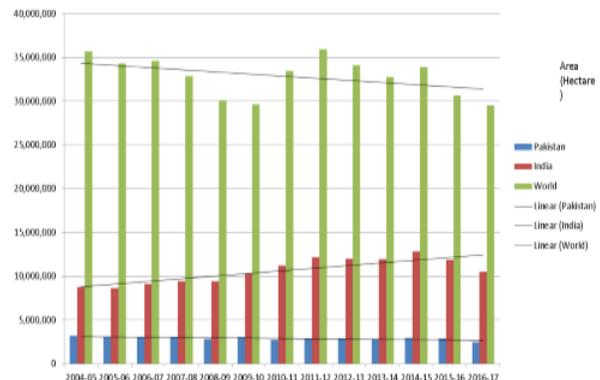
Cotton crop status (Pak, India, World)



Production



Area



Source: ICAC

Challenges: Dr. Yusuf Zafar said, the cotton industry of Pakistan has certain problems which need to be highlighted.

- **Encroachment by Sugarcane and Corn (High Delta Crops):** The crops such as sugarcane have increased in South Punjab which needs more water and considered as high delta crops. However, South Punjab is considered as extremely suitable for farming cotton which is a low delta crop along with wheat. Hence, he suggested that the governance priorities need to be set in order to achieve the desired outcomes.
- **Higher Input Cost for Production:** With the inclusion of subsidies to fertilizer and pesticides, the heavy duties on input have to be decreased in order to enable the farmers with maximum benefits.
- **Weak Cotton Seed Production System:** There are currently 27 registered seed companies in South Punjab while 600 unregistered companies exist only in Rahim Yar Khan. However, these companies are not dedicated towards research and development.
- **Pakistan Central Cotton Committee (PCCC):** Pakistan Central Cotton Committee (PCCC) was established in 1948 with its HQ at Karachi. During the tenure of Prime Minister Shaukat Aziz, the US Consulate Karachi requested for the building hence the PCCC was evicted and its machinery was put in a rented building. Due to this, the machinery endured great damage and the cotton research is currently at stand-still.
- **Policy Implementation Issues and 18th Amendment:** According to Dr. Yusuf Zafar, the cotton vision was presented twice, but not a single point has been implemented till now. Furthermore, the 18th amendment has sown the seed of discord in the provinces and adversely affected the development of cotton and textile sector. When the former Prime Minister, Mir Zafarullah Khan Jamali left the office, another cotton vision was made under the new Prime Minister Mr. Shaukat Aziz and rolled the previous one.



- **Open Borders with India:** The incumbent Prime Minister of India, Narendra Modi has embarked on a single point agenda to destroy Pakistan's economy. Referring to a meeting in which Modi was informed about the import of 80 percent dates (chuwara) from Pakistan due to which he started the farming of dates in Gujarat and other states to decrease its dependence on Pakistan. On the contrary, we are keen to open the borders for Indian imports, which has adverse impacts on our cotton industry.

Way Forward

Dr. Yusuf Zafar suggested the following remedial measures:

- Ownership by Government of Pakistan (GoP) for Cotton Development
- Cotton Industry should be made a part of National Agricultural Research System.
- Lowering input cost as an incentive for cotton such as lowering duties on machinery, fertilizers.
- Cotton Specific Farm Mechanization is the need of the hour. We are already working with Uzbekistan in conjunction with CGSS on mechanized picking and its machinery is already being introduced in Multan on trial basis.
- Introduction of 3rd & 4th Generation Technologies which are prevalent across the developed countries.
- Competitive grants system in cotton research should be introduced and implemented to attract the researchers.

Speaker 4

Dr. Khalid Abdullah- Cotton Commissioner, Ministry of Textile

Dr. Khalid Abdullah delivered an informative speech on the topic 'Pakistan Governments Initiative towards the Cotton Industry'. He stressed on the following aspects of cotton Industry.



Cotton Industry in Pakistan: In his introductory remarks, he informed the audience about the cotton economy of Pakistan. He stated that Pakistan's GDP is around 284 billion dollars while cotton contribution is 1% to 1.7% (US\$ 3.5 to 5.1 billion).

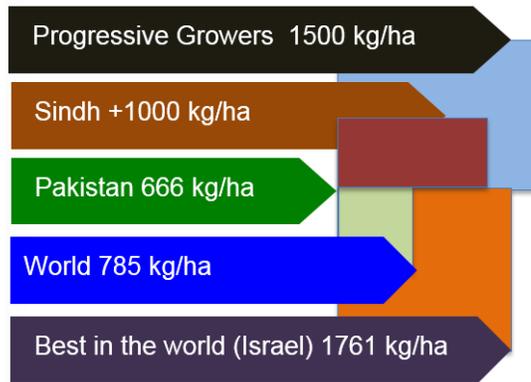
Pakistan's cotton industry is worth 95 billion rupees which include the following figures:

Planting of Cotton	8.5 billion
Weeding and Hoeing	10.5 billion
Spraying	15 billion
Picking	61 billion
Total	95 Million

He stated that cotton is used in the extraction of domestic edible oil, protein, feed for poultry and livestock and the sticks are used in fire wood for rural kitchens.

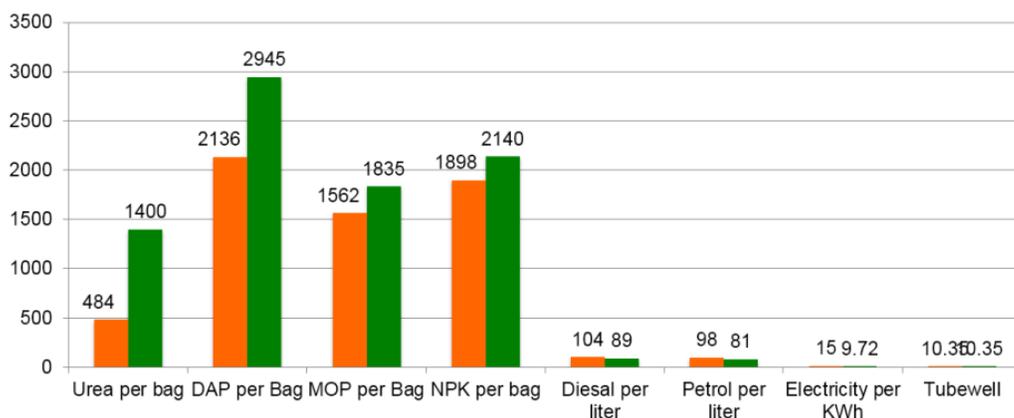
Cotton & its Landscape: He stated that Pakistan's cotton area includes 80 percent of Punjab's area while 19 percent of Sindh. Punjab contributes around 73 percent while Sindh contributes 26 percent of the total cotton yield in Pakistan. The potential brings the cotton area under cultivation exists in Baluchistan and KP. Being virgin area, both provinces have the potential of value added cotton production, especially organic cotton.

Cotton Production Triangle: Pakistan’s cotton yield average is 666 kg/hectares while Sindh’s average yield is 1000 kg/hectares. The best yield output rests with Israel which is 1761 kg/hectares. Hence, there is a massive potential for research development especially in the context of seed production.



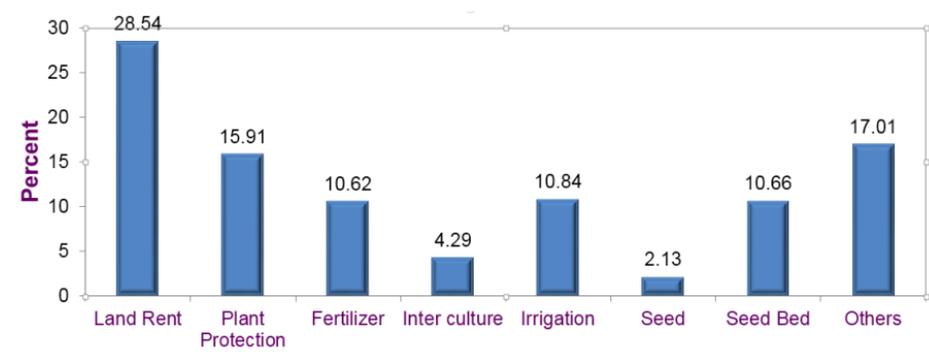
Reasons for Low Yield: There are many reasons which contribute to the declining situation of the yield production in Pakistan such as climate change and lack of research and development, as well as, the absence of regulations and policy implementation.

Cost of Various Production Components: The various components of production have varied prices, which is considerably higher in comparison to India. The speaker gave the example of urea bag which is 484 per bag in India, while, in Pakistan, it is sold at 1400 rupees. Furthermore, the DAP bag costs almost 3000 in Pakistan, while, in India, it is sold at 2200 rupees. The details of the comparison in conjunction with other costs can be ascertained from the graphical bar chart.



Competing Crops: According to the data from previous years, the rice production has decreased by 4 percent. Maize production increased by 10 percent. Sugar cane area increased by 27 percent while cotton area reduced by 24 percent.

Percent Share of Various Farm Practices in Cotton Production: Dr. Khalid Abdullah urged the farmers to focus on inter culture as every rupee spent returns the output at 21 rupees. However, in the graphical bar chart representation, he informed the audience about the lack of investment in seed and inter-culture by the farmers.



Public Support and Subsidies: In other countries such as the US, India, China and others, there is a concept of cotton assistance by the governments. However, in Pakistan, the government does not have any such programs. Hence, comprehensive programs must be chalked out to ensure the farmer's crop assistance.



Country	2014-15			2015-16		
	Production (000 tons)	Ave Assistance	Assistance to Production (US\$ Million)	Production (000 tons)	Ave Assistance	Assistance to Production (US\$ Million)
China	6500	57	8220	4820	50	5289
USA	3553	11	861	2806	18	1103
Turkey	754	27	452	660	26	381
Greece	273	39	238	218	43	208
Spain	75	44	72	56	55	68
India	6460	4	631	5749	0	51
Burkina Faso	298	5	30	244	6	30
Mali	233	5	26	216	5	26
Cote D'Ivoire	193	3	14	177	4	14
Columbia	27	9	5	22	6	3
Senegal	9	10	2	12	8	2
Brazil	1563	3	102	1348	0	0
All Countries	19,937	21	10,653	14,980	18	7,175

List of countries that have provided assistance to their farmers in past years

Diversify Reliance: In the past few years, there is an increasing reliance on India and United States for import of cheap cotton. The situation is due to the increased demand for cotton and shortfall of supply. In his opinion, the domestic cotton industry needs to be revamped to improve the situation in this regard.

	2016-17		2015-16		2014-15		2013-14		2012-13	
	Country	% Import								
1	UNITED STATES	35.76	INDIA	58.39	INDIA	27.52	INDIA	57.34	INDIA	30.07
2	INDIA	25.87	BRAZIL	10.75	UNITED STATES	19.75	UNITED STATES	13.58	UNITED STATES	20.31
3	IVORY COAST	5.51	AFGHANISTAN	7.62	AFGHANISTAN	16.30	AFGHANISTAN	13.07	AFGHANISTAN	15.12
4	BRAZIL	4.63	UNITED STATES	7.04	BRAZIL	9.95	AUSTRALIA	4.24	BRAZIL	14.02
5	WEST AFRICA	4.09	WEST AFRICA	4.99	WEST AFRICA	6.55	BRAZIL	2.68	GREECE	6.53
Total %age		75.86		88.79		80.07		90.92		86.05
Total Import (bales)		2,648,719		2,769,046		1,067,304		1,604,197		1,918,887

Bar chart representing the major import countries for Pakistan



Way Forward

Dr. Yusuf Zafar gave the following policy recommendations to improve the cotton industry of Pakistan, such as:

- Investment in research and development should be increased.
- Introduction of new seed technologies is imperative for the development of the cotton industry.
- Implementation of regulations for seed, fertilizers, pesticides, crop zones needs to be implemented in letter and spirit.
- Ensure import parity price for domestic producers should be endured.
- Improving the coordination among organizations and provinces should be undertaken to avoid discord on various issues and enhance good practices.
- Diversifying fiber and value-added cotton production must be commenced.

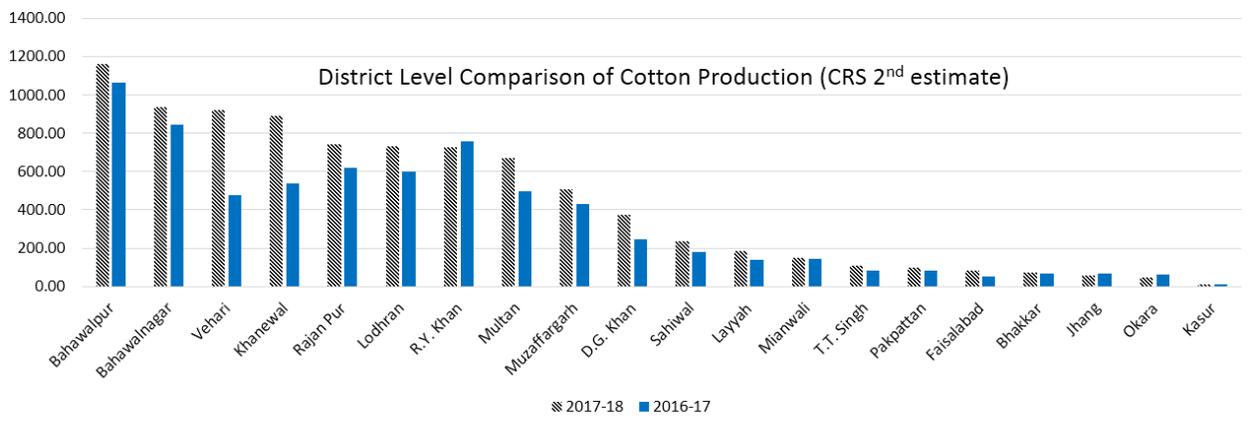
Speaker 5

Dr. Irfan Baig - Dean Faculty of Social Sciences & Humanities, Muhammad Nawaz Sharif University of Agriculture, Multan.

Dr. Irfan Baig addressed the audience on the topic of “Cotton in Punjab: Constraint Analysis and Future Production Strategy”. He stated that as part of the stakeholder consultation process by the Punjab government, his university (Muhammad Nawaz Sharif University of Agriculture, Multan) was made the focal point. The speech was based on his recent experience, while working with multi-stakeholders in university, which included partners such as the government officials, farmers and researchers from PCGA, APTMA and PARC. He proposed that the next session regarding cotton should be held in Multan as South Punjab is the hub of cotton.



Cotton Production in 2017-18 (Estimates and Arrival): The cotton production in Bahawalnagar, Multan and Vehari saw a sharp decline owing to various factors. Below is the comparison of the cotton districts Pakistan.



Stakeholder Consultation Process: The stakeholder consultation process by Punjab government was taken up through the following four working groups:

- Group 1: Crop Protection Group, Ch. Muhammad Anwar, Farmer Representative (Convener)
- Group 2: Crop Production Group, Mr. Khalid Khokhar, Farmer Representative (Convener)
- Group 3: Cotton Research and Development Group, Chairman R&D Board (Convener)
- Group 4: Output Quality, Marketing & Processing Group, Chairman PCGA (Convener)

Main Constraints or Challenges: The following are the major constraints faced which affect the cotton yield adversely:

- The adverse effect of smog and other weather conditions which resulted in:
 - Delayed opening of the matured bolls.
 - Boll rotting in the later stages as farmers reported that 6-7 bolls are damaged due to the smog.
 - Reduce photosynthesis leading to loss of boll weight.
- High infestation of whitefly, Jassid and Pink Boll Worms (PBW) especially whitefly is prevalent in Punjab.
- High attack of cotton leaf curl virus (CLCV) mainly due to early infestation of whitefly and affected the cotton yield.
- Wilting disease in some areas.
- Unfavorable seed cotton prices during the months of August and September.
- Low temperature in last week of October and November coupled with smog also results in non-opening of bolls.
- Shortage of water particularly in District Bahawalnagar, Bahawalpur, Rahim Yar Khan and Toba Tek Singh.

- Plant height in Bahawalnagar, Bahawalpur, D.G.Khan, and T.T.Singh Districts are severely affected due to water shortage. 100 and 92 percent of the farmers in Bahawalnagar and the T.T.Singh district ranked water shortage as their top issue.
- Nutrient deficiency, especially at the critical stages of the plant, resulted in significant yield loss.
- Seed Quality and Marketing Issues in Pakistan includes:
 - a) Obsolete seed technology.
 - b) Existing mechanism of law enforcement and quality monitoring of seed distribution is not performing up to the mark.
 - c) Non-effective implementation of seed act.
 - d) Large number of approved cotton varieties.



Policy Recommendations of Committee

For effective cotton production and management strategy in the coming years, following suggestive measures needs to be undertaken such as:

- Ensuring Off-season management and sowing of cotton as per strategy provided in cotton calendar.
- Timely announcement of indicative cotton prices ensuring 20-25% profitability should be ensured.
- Cotton import be restricted only to extra-long cotton and may not be allowed during cotton arrival period.
- Provision of about 30,000 MT of certified quality seed (about 5.5 million acres target) is needed following the zone-specific recommendation of varieties.
- Rationalizing the irrigation water supply scheduling based on the need of the crop and quality of sub-surface water is highly important.
- Recommendations of fertilizers should be linked with plant mapping data.
- Sale of pesticides only as per prescription of the department should be practiced across the country.
- Initiatives for clean cotton production for fetching good prices and alignment of our industry to the international standards through research and development needs to be undertaken.
- Effective advisory services based on intelligent weather forecast must be inculcated in the good practices.



- The development of technologically advanced climate smart cotton varieties should be prioritized.
- The development of program for insect resistance and wilting management is also a critical area where conscious attention is needed from the required quarters.

Speaker 6

Mr. Mukhtar Ahmed Khan Baloch, Former Chairman Pakistan Cotton Ginners

Association



Mr. Mukhtar Ahmed Khan Baloch delivered his speech on “Suggested Solutions to the Problems faced by Cotton Industry in Pakistan”. He was of the opinion that the cotton productivity has not increased in the proportion as it should have been. The world has progressed significantly in the field of research and development, while, Pakistan is still lagging to excel in this field. He also deplored the substandard quality of the seeds and cited it as one of the factors for weak cotton yield. The speaker suggested that the government should educate the farmers to cultivate crops that are suitable for those areas based on the scientific research to maximize the yield. He informed the audience that sugarcane cultivation in South Punjab is against the logic as the area is extremely suitable for cotton owing to fewer water requirements as compared to other crops. The speaker appreciated APTMA for providing competitive rates to the farmers according to the quality of the cotton yield in the preceding year. He said the government must work on quality seed development. Furthermore, he was of the opinion that the import of edible oil is a huge bill. However, focusing on maximizing the cotton production will relieve the country of this import as the cotton is also used to extract the edible oil.

Mr. Mukhtar Ahmed Khan Baloch deplored the quality of pesticides being used in Pakistan and urged the concerned authorities to import quality products in the absence of local choices. The common use of substandard pesticide is one of the reasons that

cotton industry is suffering. In addition to that, the import of cotton fibre is damaging the local industry; hence, the ban should be imposed for a limited period. Hence, this step will positively impact the cotton farmers. He was of the opinion that the APTMA must not decrease the rate of cotton bales, as this will demotivate the farmers and they may refuse to sell their cotton at decreased prices.

Speaker 7

Mr. Jassu Mal, Former Chairman Pakistan Cotton Ginners Association



Mr. Jassu Mal stated that he is one of the leading exporters of raw cotton in Pakistan. He was also the Chairman of PCGA till last December. In his tenure, efforts were made to enhance Pakistan's cotton industry. All the stakeholders were consulted ranging from government, APTMA, academia and farmers. However, the policy makers were not responsive in this regard. Ultimately, he met the leadership of Center for Global & Strategic Studies (CGSS) and discussed bilateral cooperation in regards to highlighting the problems faced by cotton industry. He was of the opinion that our country is blessed with the gift of suitable climate and one of the best irrigation systems in the world.

Mr. Jassu Mal stated that he conveyed all the concerning issues to the authorities such as textile ministry, commerce ministry and food security. He stated that if the farmer who grows cotton does not have decent clothes to wear as well as lacking prosperity while Industrialists are facilitated on every forum does not cater the vital interests of the country. The farmer's welfare has never been prioritized hence the collaboration with CGSS is a step to create awareness in this regard. He gave the example of competing countries such as India, China and USA who have fixed a support price for the farmers, however, there is no such mechanism in Pakistan and urged the concerned authorities to ponder on this important issue.

Question and Answer Session

Question #1: Vice Admiral Ahmad Tasnim (Retd), Member Advisory Board CGSS

In my last visit to Canada, I observed that there is an immense demand for textile products such as garments there. Pakistan is one of the favourable countries along with Vietnam, Cambodia, China and Bangladesh for such exports. Three things matter in this arena such as price, quality and timely delivery of the orders. Pakistan's products are actually cheaper than its competitors but the quality and delivery is lagging. What can be done to improve the situation?



Answer: Mr. Ali Pervaiz Malik, Chairman, All Pakistan Textile Mills Association, Punjab

Mr. Ali responded to the question and explained that there is a raw material deficiency. Our cotton has 14 percent trash owing to unviable chain process. He added that our ginning, spinning and other aspects related to the cotton industry have not been upgraded yet. He pointed to the arguments made by speakers who explained the real reasons behind the decline of cotton industry and noted that it is possible that we may also have



some deficiencies indeed. However, the problems are the amalgamation of different factors which jointly contributed due to which the industry is suffering. However, he expressed the hope that with joint efforts from all stakeholders, we can give a better direction to the ailing cotton industry.

Question # 2: Mr. Abdullah Hameed Gul, Chairman Tehrik Jawanan/Kashmir

a) The question pertains to the use of Monsanto, which is a banned pesticide in 26 countries worldwide, including Australia, China, Russia, Switzerland and many others to name a few. However, we have been made dependent on the use of such pesticide mafia while local varieties such as Galaxy, Oqaab and others were made obsolete. What is the reason behind lack of action by the concerned state authorities' in this regard?



b) It is observed that APTMA is marred with immense grouping and lobbying due to which the budding entrepreneurs in the industry are discredited and trampled under the weight of self-interests. There is a need for patronization of textile industry above politics. My question pertains to the steps and means through which we can possibly get rid of such an adverse prevailing environment?

c) Genetically engineered seeds are destroying Pakistan's agriculture while the acute water shortages in the coming times are the biggest challenges facing Pakistan. What steps are necessary to overcome these problems?

Question #3: Mr. Ashfaq Gondal, Former Federal Secretary, Member Advisory Board, CGSS

a) Why we fail to produce good quality, high yielding seeds that can increase the productivity in Pakistan?

b) We are wasting our water resources; hence, we need modern and creative ways of using water. Why our research organizations are not suggesting new water irrigation systems?

Answer: Mr. Malik Zahoor Ahmed, Senior Advisor Ministry of National Food Security and Research

Responding to the question by Mr. Abdullah Hameed Gul, Dr. Yusuf Zafar remarked that he was the first one to oppose the pesticide 'Monsanto' in high level meetings, when the name of the concerned ministry was 'ministry of food and agriculture' before the 18th amendment. Furthermore, he also shared the view that genetically engineered seeds (GMO's) mafia is prevalent and must be defeated at all cost.

Question # 4

Raddul fasad and Zarb e azb symbolizes rapid example justice. When justice is delayed, it is denied and to stress the importance, we can take guidance from Hazrat Ali's (R.A) famous saying that:

"Mash'ra kufr k sath to chal sakta hai per na insafi k sath nae chal sakta"

Hence, it is very important that local authorities who are present on ground take swift action to give justice rather than chief justice taking action. What can we do to revamp our institutions?

Answer: Dr. Irfan Baig - Dean Faculty of Social Sciences & Humanities, Muhammad Nawaz Sharif University of Agriculture, Multan

Dr. Irfan Baig was of the opinion that due to improvement in the research, Pakistan is currently producing 14 million ton bales and doing well in cotton. However, it is pertinent to say that in the changing scenario, we have to quickly adapt to the trends and dynamics of the global cotton industry. Furthermore, he also stressed the importance of enhanced attention to improve the processing practices and technology of ginning industry in order to modernize it at par with the global competitors as it is an important field. However, he also stressed the need for state patronage to enable this goal.

Question #5: Rana Iftikhar Ahmad (Cotton Farmer)

The cotton industry has failed to get the attention of the concerned authorities in the preceding year. We already



know that cotton is the prime crop to achieve this end. The question arises that how can we reduce import bill and increase the export earnings in the prevailing circumstances?

Comments from the Audience: We appreciate the efforts of CGSS for creating awareness on the issues of farmers, for which it needs applause from everyone.

Answer:

a) Mr. Malik Zahoor Ahmed, Senior Advisor Ministry of National Food Security and Research

Mr. Zahoor responded by stating that he agree with the notion that we can compete internationally and maintains that Pakistan has the best brains in the world. However, he was of the view that we must not be emotional and complained that sometimes we come out of ground realities. He suggested to make our own house in order. Furthermore, he believes that loan taking is not a bad thing but the trick is the utilization of the money in an efficient and effective way. There is a need to learn lessons from the US government shutdown which reflects the accountability of the rulers while in Pakistan we see the Prime Ministers release 100 billion rupees without any check through a stroke of pen.

b) Mr. Mukhtar Ahmed Khan Baloch, Former Chairman Pakistan Cotton Ginners Association

To clarify the previous point of Mr. Ali Hameed Gul, he personally clarified his position regarding the use of pesticides such as 'Monsanto' which has made monopoly in Pakistan along with some other brands. He was of the opinion that there is no issue of preference for a specific pesticide or seed. His main concern was the development of such products which can increase the yield of the farmers and benefit them monetarily so that they can get encouraged.

Comments by Mr. Zulfiqar Noon (Chairman ILM Trust)

He was of the opinion that Zakat-Usher is not paid in accordance with Islamic principles, then we can expect the menace of pest attacks. Hence, apart from the thoughtful discussion we must also focus on this aspect as well. He also narrated the speech of Lord Macaulay and said that the British has destroyed the subcontinent through flawed

education system which is not fit for the region, hence we are unable to produce quality scientist.

Closing Remarks by Lieutenant General Muhammad Zahir UI Islam HI(M), (Retd) Chairman CGSS



Lieutenant General Muhammad Zahir UI Islam HI(M), (Retd) Chairman CGSS expressed his gratitude to all the esteemed guests for sparing their time to participate in the thought provoking event. He expressed the hope that the practical policy recommendations and solutions attained from the discussion may be duly noted by the cotton commissioner, Ministry of Textile. Furthermore he informed the audience that these recommendations will also be sent to the government and other relevant stakeholders.

He remarked that the base of the textile value chain is the farmer. Hence, if the farmer is happy then the good results will automatically travel up the pyramid of value chain such as preparation of the seed, growing of the cotton, picking of the cotton, cotton being taken to the ginning which leads to the by-products and the rest going to the textile industry leading to export of garments and other products. Hence, the farmer should hold prime importance in policy formulations to attain the positive results.

To conclude the seminar, on behalf of Center for Global & Strategic Studies, he expressed his special gratitude to the guest speakers, Mr. Malik Zahoor Ahmed, Mr. Ali Pervaiz Malik, Dr. Yusuf Zafar, Dr. Irfan Baig, Dr. Khalid Abdullah, Mr. Mukhtar Ahmed Khan Baloch and Mr. Jassu Mal for their presence in the Seminar.



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