BUSINESS
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Weekly Cotton Review, Bullish trend witnessed

KARACHI: Significant increase of Rs 600 per maund in the price of cotton. There is a gap between the demand and supply of Phutti. It is expected that 5 percent sales tax imposed on Khal will be abolished. It is hinted that textile sector will be functional soon. The threat of Locust attack is increasing.

In the local cotton market bullish trend was witnessed during the last week due to the gap of demand and supply of new Phutti crop and due to the functioning of ginning factories. On the other hand some textile mills showed their interest in buying of cotton, Phutti and Banola due to which their prices increase.

In Sindh the rate of cotton opened at Rs 7600 - 7800 and increased by Rs 600 per maund and the cotton was sold between Rs 8350-8400. In Punjab the rate of cotton opened at Rs 8500 and after increasing by Rs 500 it reached at all time high of Rs 9000 per maund.

In the same way the rate of Phutti increased by Rs 300-400 per 40 Kg. In Sindh the rate of Phutti is in between Rs 4000 to Rs 4350 while in Punjab the rate of Phutti is in between Rs 4400 to 4450 per 40 kg. Although in Punjab majority of the Phutti supplied from Sindhi. The rates of Banola increased by Rs 200 - 300 per maund. If the situation remained like this it is expected that rates will be increased. After the increase in the rate of dollar and after the lowering of interest rate to 7% by State Bank of Pakistan, it is hoped that textile sector will become active and exports of textile sector will be increased.

The Spot Rate Committee of Karachi Cotton Association is issuing the spot rate of old cotton till June 30. The Committee increased the spot rate by Rs 100 per maund and closed it at Rs 8100 per maund. The season of cotton in Pakistan is in between July 1st to June 30. Pakistan Cotton Ginners Association has not issued the final statistics of cotton production because of the lock down due to coronavirus. The old season is going to end on June 30 and PCGA will have to present a final report till June 30.

According to the estimates ginners had the stock of 200,000 to 250,000 bales.

The sowing of cotton in Sindh, Punjab and Balochistan is on final stages but production estimates were not announced however, area of cultivation was announced.

Every year the cultivated area and production of cotton was announced by Federal Committee of Agriculture but this year nothing was announced from them may be they announced the estimates after thorough review. However, there is a question mark on the production of cotton this year because of substandard seeds and due to the Locust attack on the crops. There are speculations that cotton production will be in between 75 lac bales to 95 lac bales. Although it is premature to say anything at this time because the cotton crop is fragile and has to go through many stages.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that mixed trend was witnessed in international cotton market. China is fulfilling its need of cotton from America after rising tensions between China and India. Before that when the tension was rising between China and America it was hoped that China will import cotton from India. Now the tension is increasing between both the countries and both the countries are hinting that they will boycott import and export from each other. Due to this bearish trend is prevailing in the Indian cotton market. In order to support the ginners Cotton Corporation of India is buying cotton from ginners by giving them concessions.

It is learnt that China is thinking to end its trade ties with American supporter Australia. After that it is likely that China will show its interest in buying cotton and cotton yarn from America and Pakistan. Currently, China is importing cotton from America. According to the weekly USDA report China has the most import deals. The largest cotton-producing state in the United States is said to be affected by the drought. Due to this it is expected that Rate of Promise (Waday Ka Bhao) of New York Cotton will increase.

On the other hand, lockdowns in major countries of the world due to the coronavirus are being eased and business has started to return to normal. As a result, shopping is expected to resume. It is hoped that this will lead to an increase in the business of other products including textile products.

Rate of cotton remained stable in China while bearish trend is witnessed in India.

Federal minister for National Food Security and Research Syed Fakhar Imam while, talking to the delegation of Pakistan Cotton Ginners Association said that efforts are under way to develop agriculture sector on scientific lines to enhance yield of major crops including wheat, cotton and rice. He also said that production of cotton in the country can be increased by using latest scientific techniques. The mattes related to tax refunds and liquidity crunch were discussed in the meeting.

While addressing a press conference Fakhar Imam showed his apprehension that Locusts may attack Pakistan in July. They can come from Afghanistan, Iran, Africa, Oman, and from India. The government of Pakistan is taking steps to save the crop from the attack of Locusts. In this regard National Disaster Management Authority has ordered 11 aeroplanes for spraying in the fields. He also said that China is also helping us in controlling the Locust attack.

Meanwhile chairman PCGA Mian Sohail Javed Rehmani along with former vice chairman PCGA Sheikh Asim talked to Standing Committee of Senate on Finance and committee constituted by speaker National Assembly on agriculture regarding abolishing of 5 percent sales tax on Khal. In the light of these discussions the committee prepared the recommendations and send to the parliament. Foreign Minister Shah Mahmood Qureshi and central PPP leader Syed Naveed Qamar had promised that they will play their role in abolishing the 5 percent sales tax imposed on Banola. Its echo was also heard in the National Assembly in recent days.

Moreover, All Pakistan Textile Mills Association (APTMA), in a letter written on Tuesday to Abdul Razak Dawood, Adviser to PM on Commerce, Textile and Investment says that the textile sector is gearing up to boost its exports in next financial year by $3 billion as the industry is on the way to achieve 80-90 percent capacity utilisation in the next quarter as order books are filling up.

But the boost is conditional as the industry wants assurance from the government to extend competitively priced energy in the region, lower sales tax and quick refunds and reduction of turnover tax to 0.5 percent from existing 1.5 percent.

The letter also says that the textile industry will try to achieve $17.5 billion exports so that the trade deficit of Pakistan is completely covered for next financial year and no further foreign currency borrowing is required.

It urged the government to resolve the issues that include the extension of competitive priced energy, lowering of sales tax and quick refunds and slicing down the turnover tax to 0.5 percent while deliberating the proposed budget for 2020-21 tabled in the Parliament. The letter mentions saying that enhanced exports are the only sustainable way in which Pakistan can sustain the economy as debt burden is already unsustainable otherwise.

APTMA letter says, the country's total export in the outgoing financial year 2019-20 will stand at $21.60 billion and the remittances will be hovering at $22.54 billion whereas the estimated export target has been set for 2020-21 at $27 billion with remittances at $18 billion. However, import in the outgoing financial year will be at $44.49 billion whereas the sum of exports and remittances in 2019-20 will be $44.14 showing the net trade deficit at 0.45 billion US dollars.

Advisor to Prime Minister on Commerce and Investment Razak Dawood announced to release an additional grant of Rs 6.2 billion for the textile sector under the Drawback of Local Taxes and Levy (DLTL) scheme.