

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Pakistan

**Post:** Islamabad

### Cotton Update

**Report Categories:**

Cotton and Products

Agricultural Situation

Agricultural Trade Office Activities

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**Report Highlights:**

Recent floods damaged an estimated 80,000 hectares of cotton area, a small fraction of Pakistan's 3.1 million hectares of cotton. Farmers are particularly concerned about low prices for seed cotton which have dropped below the cost of production of late. Farmers may reduce the number of pickings during harvest if prices do not rise. The Government of Pakistan may pursue some mechanism for supporting prices. Imports are forecast to increase to 2.0 million 480 lb bales, up from 1.6 million.

### **Flooding Effects Limited**

In our last cotton report, we raised cotton production to 10 million 480 lb bales based on an increase in area and the expectation that late season rains could boost production. We noted that our forecast could be reduced if rains proved to be heavier than normal. Rains were heavier than normal resulting in flooding. Initial estimates place the area damaged from flooding at about 80,000 hectares which should lead to a marginal reduction in the cotton harvest. Note that damaged area does not always equate to a total loss.

### **Depressed Cotton Prices Could Limit Pickings**

Seed cotton prices are currently around 26 cents per pound, which, according to a number of farmers we interviewed during recent field travel, is below their cost of production. Low seed cotton prices could prompt farmers to reduce the number of pickings over the next two months. Farmers in Pakistan generally pick cotton three to four times before preparing for wheat planting in October and November. However, if seed cotton prices remain low, farmers could reduce the number of pickings rather than pay the labor costs associated with picking. Earlier wheat planting leads to better yield prospects and could help farmers to recoup some of their cotton losses.

Farmers are also concerned about prospects for ready supplies of cotton in neighboring India which has become a major supplier of cotton to Pakistan in recent years. In an effort to support prices, the Government of Pakistan may try to work with the textile mills to spur purchases of domestic cotton in an effort to boost prices or find some way to intervene in the market. However, farmers remain concerned that lower international prices and imports from India could suppress prices.

Cotton production is expected to be 200,000 480 lbs. bales lower than our previous production estimate and reflects what seems to be a consensus estimate within the industry in Pakistan. However, our FAS Islamabad estimate remains above the USDA estimate of 9.5 million 480 lb bales.

### **Cotton Imports Higher**

Imports of cotton are estimated at 2.0 million 480 lbs. bales reflecting lower production and the possibility of higher than expected imports from India.

### **Production Supply and Demand Table:**

Cotton Pakistan	2012/2013	2013/2014	2014/2015
	Market Year Begin: Aug 2012	Market Year Begin: Aug 2013	Market Year Begin: Aug 2014

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	0	0	0	0	0	0
<b>Area Harvested</b>	3,000	3,000	3,000	3,000	3,000	3,100
<b>Beginning Stocks</b>	2,835	2,835	2,710	2,860	2,475	2,320
<b>Production</b>	9,300	9,300	9,500	9,500	9,500	9,800
<b>Imports</b>	1,800	2,200	1,200	1,200	1,600	2,000
<b>MY Imports from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	13,935	14,335	13,410	13,560	13,575	14,120
<b>Exports</b>	450	450	510	515	400	400
<b>Use</b>	10,750	11,000	10,400	10,700	10,500	11,000
<b>Loss</b>	25	25	25	25	25	25
<b>Total Dom. Cons.</b>	10,775	11,025	10,425	10,725	10,525	11,025
<b>Ending Stocks</b>	2,710	2,860	2,475	2,320	2,650	2,695
<b>Total Distribution</b>	13,935	14,335	13,410	13,560	13,575	14,120
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						