

Yarn prices rise as production falls

By Mansoor Ahmad

LAHORE: The government's move to set yarn export limit seems to have failed to provide relief for the clothing sector as domestic yarn prices have further increased due to 33 per cent decline in production caused by power and gas shortages.

The News has found that the restriction was imposed at a bad time as instead of facilitating the value added clothing sector the government mounted pressure on it.

Global buyers of textile place their orders for Spring and Summer seasons by January 15 every year. In view of the high yarn prices, these buyers were prepared to offer handsome rates for the products.

Yarn production was already on the decline when the government curbed its export. As soon as the government announced the restriction, the global clothing buyers sensing a decline in yarn prices refused to offer higher rates to the value added textile exporters of Pakistan.

"They (buyers) in fact said to either accept lower prices or cancel the orders," said Mi Khurram, a knitwear exporter.

He said most of the exporters had no choice but to accept the orders at a loss. They were compelled to accept the orders because in case of refusal the exporters would not have been able to avail of low-interest export refinance facility. "Below benchmark performance results in punitive interest rates," he said.

Pakistan Hosiery Manufacturers Association Vice-Chairman Adil Butt said yarn prices had gone further up after the restriction on its export.

"Yarn is not available in the local market because of a sharp decline in production as spinners are operating at two-thirds of their capacity due to power and gas shortages," he said.

He said the value added sec-

tor was generating electricity from furnace oil or diesel which had sharply increased the cost. He said his monthly gas bill averaged Rs10 million, adding because of switch from gas to furnace oil for power production the cost had increased to Rs30 million. He said the exporters would be booking losses in January and February, but hoped they would recover those when normal gas supplies resumed in March. He confirmed that foreign buyers had refused to offer increased prices for Pakistan's apparel products.

Finding new buyers, he said, was difficult because of negative image of the country, adding that was the reason that clothing exporters were trying to keep their foreign buyers even at marginal profit or loss.

Another clothing exporter Sheikh Zafar Mehmood said the problem faced by the value added sector was that they were unable to buy yarn from the mills of their choice. He said yarn was short in the local market and the clothing sector was forced to buy it at higher prices.

The gas and power crisis, he said, had compounded woes of the value added sector. "Gas is not available for four to five days a week." He said he was currently making export at zero profit. "New orders are available at old rates which are unaffordable."

All Pakistan Textile Mills Association former chairman Akber Sheikh said the spinners were in a quandary. He said yarn export orders started drying up in December on rumours of quota restriction.

By the time, he said, quota curbs were imposed yarn export had already fallen below the 50 million kg limit for a month.

He said the current yarn crisis was due to load-shedding, gas supply disruption and closure of many spinning units which had started working in the last four months on better returns.

Circle

[Signature]
22/11/11



GOVERNMENT OF PAKISTAN
OFFICE OF THE CHIEF COLLECTOR OF CUSTOMS (SOUTH)
CUSTOM HOUSE
KARACH

SI/MISC/03-PACCS (CC) South

January 20, 2010

All Pakistan Textiles Mills Association
44-A, Lalazar,
M.T. Khan Road,
Karachi.

**SUBJECT: - EXPORT OF COTTON YARNS ALLOWED TO THE
EXTENT OF MONTHLY CEILING OF 50 MILLION KGS BY
MINISTRY OF COMMERCE**

Please refer to Ministry of Commerce's SRO No.26(I)/2010 dated 14-1-2010, wherein export of cotton yarns is restricted to the extent of 50 million kilogram per month while excluding lycra, dyed, heather grey or melange, slub or bleached or signed types of yarn from quantitative restriction (copy enclosed).

2. Since it is difficult to enforce these quantitative and qualitative restrictions imposed on the export of cotton yarn by the SRO in PaCCS, therefore, necessary measures are being taken to exclude export of cotton yarn from the purview of PaCCS.

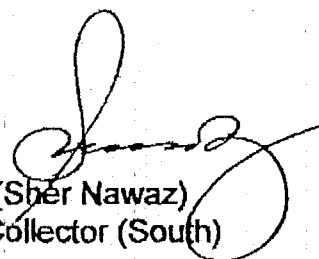
3. It is, therefore, requested that the exporters of cotton yarn may be advised not to file export G.Ds, in PaCCS as it may subject their export shipments to inordinate delay in clearance and instead use facility of One-customs for export of cotton yarn.

Encl: (As above)

(Signature)
(Sher Nawaz)
Chief Collector (South)

Copy to:-

1. The Member (Customs), Federal Board of Revenue, Islamabad.
2. The Federation of Pakistan Chambers of Commerce and Industry, Karachi.
3. The Karachi Chamber of Commerce and Industry, Karachi.
4. Pakistan Apparel Forum, PHMA House, 37-H, Block-6, PECHS, Karachi, with reference to their request dated 18-01-2010 for information.
5. The Collector MCC (PaCCS), Karachi.
6. The Collector MCC (Export), Karachi.
7. President Clearing Agents, Karachi.
8. M/s. KICT, PICT, QICT for information.



(Sher Nawaz)
Chief Collector (South)

Government of Pakistan
Ministry of Commerce

Islamabad, the 14th January, 2010

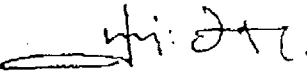
ORDER

S. R. O. 26 (I)/2010.-In exercise of the powers conferred by sub-section (1) of section 3 of the Imports and Exports (Control) Act, 1950 (XXXIX of 1950), the Federal Government is pleased to order that:-

- (a) export of cotton yarn is allowed to the extent of fifty million kilogram per month with immediate effect and till the 30th June, 2010;
- (b) the export is allowed subject to registration of export contract by Trade Development Authority of Pakistan (TDAP);
- (c) the monthly ceiling of fifty million kilogram shall not apply to export of following yarn, namely:
 - (i) lycra;
 - (ii) dyed ;
 - (iii) heather grey or mélange;
 - (iv) slub; or
 - (v) bleached or singed:

Provided the exporting units are registered with the Ministry of Textile Industry and the consignments are certified, to be any of those specified in sub-clauses (i) to (v), by accredited laboratories.

[F. No. 1(20)/2005-Tex/E-IV]


(Syed Wajid Ali Shah)
Section Officer