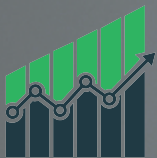


Revitalize Pakistan's White Gold: A Strategy for Cotton Resurgence



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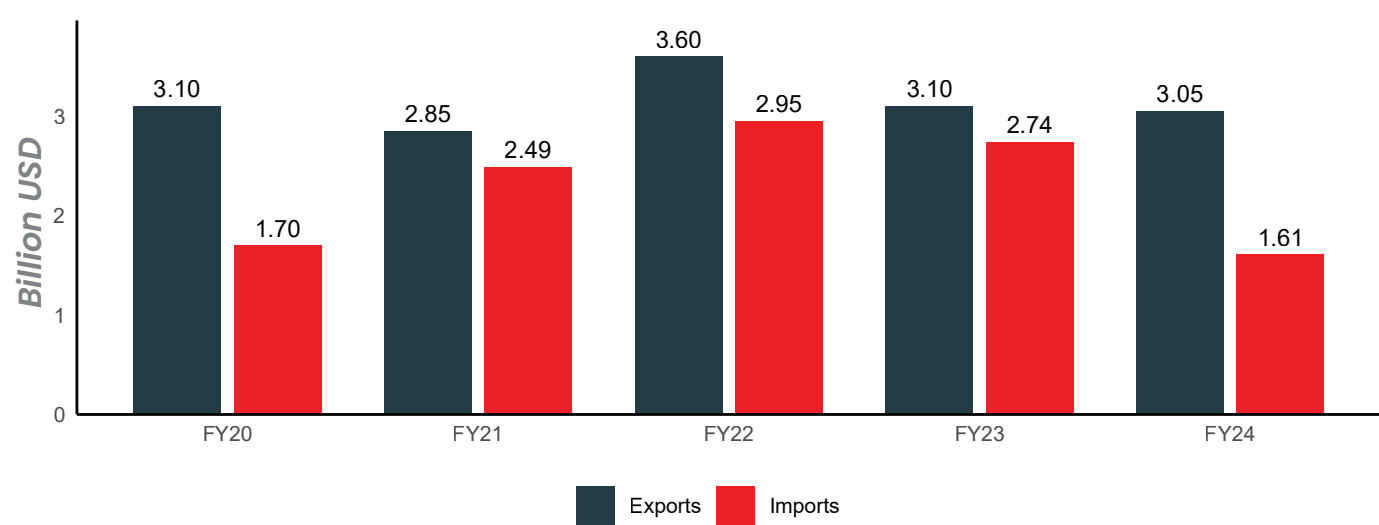


Introduction

Pakistan's economic future is growing in its cotton fields. Often called the country's "white gold," cotton has long been the backbone of our agricultural and industrial might, weaving together the fates of millions of farmers, workers, and businesses. Yet recent trends paint a concerning picture that demands immediate attention and strategic intervention.

While cotton contributes 0.9% to Pakistan's GDP and 2.9% to agricultural value addition¹, its true impact resonates far beyond these figures. The cotton-based textile sector forms the largest manufacturing segment in Pakistan, accounting for 60% of total exports and providing livelihoods to millions across its value chain – from farmers tending their fields to workers in spinning mills and garment factories.

Figure 1: Cotton Exports and Imports (FY20–FY24)



Source: EPBD calculations using SBP export and import receipts

Cotton exports peaked at \$3.60 billion in FY22, maintaining a crucial trade surplus that bolsters our foreign exchange reserves (Figure 1). However, the subsequent decline in export values through FY24 signals emerging challenges that we cannot afford to ignore. In FY24, cotton exports declined by 1.6% to reach \$3.05 billion from \$3.1 billion in FY23 (Table 1). Similarly, import fluctuations – from \$1.70 billion in FY20 to \$2.95 billion in FY22, before dropping to \$1.61 billion in FY24 – reflect our textile industry's ongoing struggle to secure adequate raw materials.

¹ Pakistan economic survey 2023–2024
* Note: The data has been compiled annually based on monthly export and import receipts for Chapter 52 (Cotton) obtained from State Bank of Pakistan (SBP)

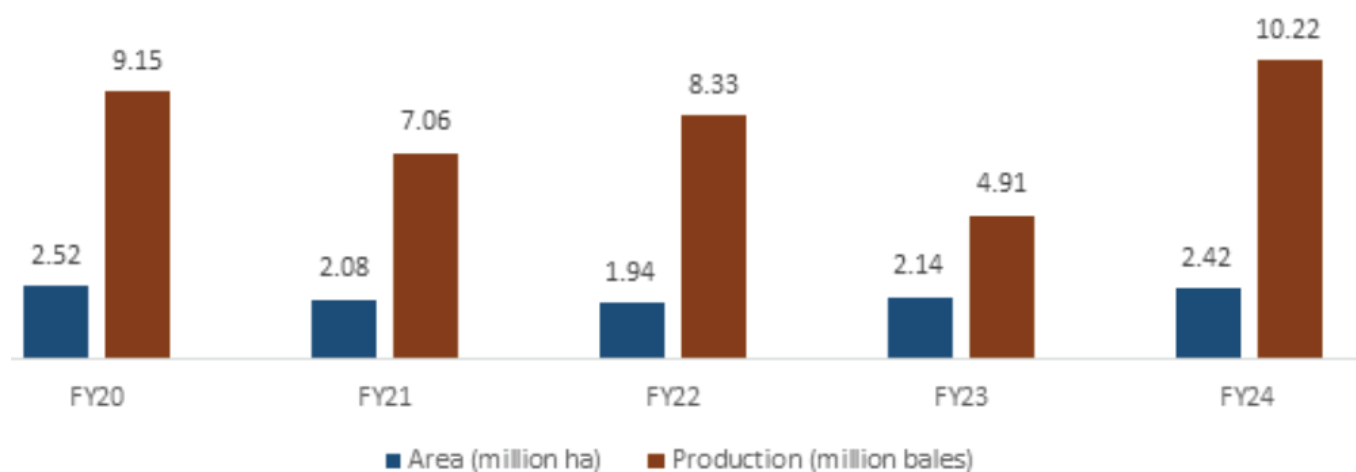
Table 1 Year-on-Year changes in cotton exports and imports (FY20-24)*

Year	Exports (USD bn)	YoY Change (%)	Imports (USD bn)	YoY Change (%)
FY20	3.10	---	1.70	---
FY21	2.85	-8.1%	2.49	+46.5%
FY22	3.60	+26.3%	2.95	+18.5%
FY23	3.10	-13.9%	2.74	-7.1%
FY24	3.05	-1.6%	1.61	-41.2%

Source: EPBD calculations using SBP export and import receipts

Pakistan's cotton sector presents a complex situation in terms of both yield and production trends. While the current average yield stands at 20 mounds/acre (with a target of reaching 35 mounds/acre), the production patterns show significant volatility. FY24 initially witnessed a remarkable 108% surge in cotton production, reaching 10.2 million bales from the previous year's 4.9 million bales (Figure 2). However, recent data from the Pakistan Cotton Ginners Association (PCGA) raises serious concerns as cotton arrivals have plummeted by 33.27% to 5.45 million bales, compared to 8.17 million bales in the same period last year.

Figure 2 Cotton production increased by 108% in FY24 to reach 10.2 million bales



Source: Pakistan Economic Survey 2023-24

This substantial decline could force Pakistan to import cotton worth approximately \$2 billion, putting additional strain on the country's foreign exchange reserves. When compared to other major cotton-producing nations, Pakistan's yield sits in the middle range – higher than India's 8.60 mounds/acre but significantly lower than China's leading yield of 37.75 mounds/acre, indicating considerable room for improvement through technological adoption and better agricultural practices.

The stakes could not be higher, each additional million bales of cotton production create one million new jobs and generates an extra \$1 billion in exports. More importantly, cotton cultivation intertwines with other agricultural commodities, forming a crucial web that supports our national economy's stability. The challenge now is not just to recover lost ground but to strategically expand and strengthen our cotton sector.

Despite cotton's critical importance to our economy, production has steadily declined over the years due to multiple challenges: seed adulteration, ineffective use of pesticides and fertilizers, labor mismanagement, unfavorable weather conditions, and irregular input supplies. These issues have created a perfect storm, undermining our cotton sector's productivity and potential.

The access to market further compounds these production issues. Small and medium-sized farmers often struggle to get fair prices for their produce due to limited market linkages, inadequate storage facilities, and the dominance of middlemen in the supply chain. The absence of direct farmer-to-industry connections forces many farmers to sell their cotton at below-market rates to intermediaries. Additionally, our cotton exports face international barriers due to quality concerns, inconsistent grading standards, and limited compliance with global sustainability certifications, preventing us from accessing premium markets and better prices.

However, there is reason for cautious optimism. Pakistan's cotton sector has demonstrated its ability to adapt and innovate, particularly through the successful adoption of Bt cotton which now covers more than 90% of our cotton fields since its 2002 introduction². This transition has significantly reduced pesticide costs and improved pest resistance, showing how technological solutions can transform agricultural productivity. Yet we're still falling short of our potential.

According to Marral et al. 2023³, Bt cotton has proven particularly successful in cotton-wheat rotation zones, offering the highest economic returns. This success provides a foundation for further advancement, suggesting that with proper support and innovation, we can boost our yields from the current average of 660 kg/hectare to match the global average of 800 kg/hectare. Given the current production trends and market pressures, bridging this yield gap has become increasingly urgent.

² https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Agricultural%20Biotechnology%20Annual_Islamabad_Pakistan_PK2024-0013.pdf

³ Marral, M.W.R.; Ahmad, F.; Ul-Allah, S.; Atique-ur-Rehman; Farooq, S.; Hussain, M. Influence of Transgenic (Bt) Cotton on the Productivity of Various Cotton-Based Cropping Systems in Pakistan. *Agriculture* 2023

To achieve this, Pakistan needs a comprehensive revival strategy built on several key pillars:

First, we must provide stronger price incentives to farmers. Announcing a minimum support price of PKR 10,000 per 40kg before the sowing season would give farmers the confidence to invest in cotton cultivation. To effectively implement and monitor this pricing mechanism, a National/Provincial Commodities Indicative Price Authority (NCIPA) should be established, ensuring price security that is essential for maintaining and expanding cotton acreage.

Second, implementing effective crop zoning policies is crucial. This means designating specific areas for cotton cultivation while restricting water-intensive crops like sugarcane and rice in these zones. While these crops contribute significantly to exports, their water consumption poses long-term environmental and agricultural risks that we must address.

A Commodity Trading House (CTH) system would be essential to support these zoning policies. While optimizing cotton cultivation zones is essential for production, equally important is ensuring that farmers in these designated areas can effectively market their produce. To address current market access challenges, we must establish a robust marketing infrastructure that connects farmers directly with domestic markets, textile mills and export markets.

This can be achieved by developing regional cotton trading hubs equipped with modern testing facilities, establishing an electronic trading platform for transparent price discovery, and implementing a standardized grading system aligned with international standards. Moreover, we also need to establish agriculture value addition industries at the village level which will provide livelihood and employment to a lot of people in rural areas.

Furthermore, stakeholders should facilitate obtaining international certifications like Better Cotton Initiative (BCI) and Global Organic Textile Standard (GOTS) to enhance our access to premium international markets. These improvements in market linkages, combined with quality assurance measures, would help farmers secure better prices while strengthening Pakistan's position in the global cotton trade.

Third, we need to modernize through focused research and development, coupled with improved access to quality inputs. Providing farmers with certified seeds, effective pesticides, and modern machinery at affordable prices is essential. High-quality seeds, in particular, are crucial as they offer both increased yields and better resistance to pests and diseases.

While ensuring access to quality inputs is critical, equally important is the financial capacity of farmers to acquire these resources. To bridge this gap, loans must be given to farmers at subsidized rates so that farmers can better manage their working capital and purchase low-cost inputs. These measures will reduce farmer's expenses and

enable them to cultivate cotton on a larger area. Moreover, the availability of modern agricultural machinery such as land levelers, mechanical cotton pickers, and sprayers will further improve production.

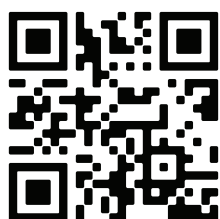
Furthermore, we must strengthen and expand our genetically modified cotton program to build on our initial success with Bt cotton. This requires strategic investments in developing new genetically modified organisms (GMO) varieties that are specifically adapted to Pakistan's diverse agricultural conditions and emerging challenges. Priority should be given to creating varieties with enhanced drought tolerance, better fiber quality, and stronger resistance to evolving pest pressures.

To ensure successful implementation, we need to establish robust seed certification systems, strengthen quality control mechanisms, and develop comprehensive farmer training programs focused on optimal GMO crop management practices. These improvements in our GMO cotton program, supported by research collaborations with international partners, will be crucial for achieving our productivity targets.

Fourth, Pakistan must strategically expand its cotton cultivation into untapped regions. In response to climate change, new cotton-growing zones should be developed in Potohar, Balochistan, and Sindh. Areas like Cholistan and the Kachi Canal region present significant potential, while Balochistan's districts – Lasbela, Sibbi, Khuzdar, Kharan, Noshki, and Naseerabad – offer unique microclimatic conditions particularly suitable for organic cotton farming and premium fiber production.

Finally, tax reforms could significantly boost domestic production. Eliminating the 18% sales tax on locally produced cotton while imposing the same on imported cotton would create a more balanced playing field. This would incentivize local production and provide the textile industry with more affordable domestic raw materials.

The revival of Pakistan's cotton sector is not just an agricultural imperative but a national economic priority. Each bale of cotton we produce strengthens our agriculture and textile industry, creates jobs, saves foreign exchange, and contributes to rural prosperity. The path forward requires coordinated action from government, industry, and agricultural stakeholders. By implementing these strategic measures, we can restore cotton to its rightful place as Pakistan's true white gold, driving economic growth and providing sustainable livelihoods for millions.



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