

Floodings: Pakistan Textile Exporters Association wants Help from the German Textile and Garment Industry

The floods in Pakistan have wrought havoc



with the lives and living of the population along the Indus River. At present, no complete inven-

tory of the damages and no final figures regarding the losses are available. It is, however, to be expected that the quantity of cotton imported into Pakistan will need to increase in the coming year. so Textination has been told in an exclusive interview with official representatives of the Pakistani textile exporters' association.

The central part of Pakistan, where most of the textile production is located was not directly affected by the floods. Therefore, there have not been any shortages regarding the



deliveries to Germany or Europe. The only difficulties that must be dealt with at this time are transport delays from the

lays from the production facilities to Karachi due to the damages to infrastructure in between.

Now that the floods have gradually receded, reconstruction is fast under process, and with national and international help all major links and bridges have again been opened to traffic. Rehabilitation and as well relief for the displaced workers is under way, also under active participation of the textile associations.



German Foreign Secretary Guido Westerwelle, during his talks with the Pakistani Foreign Secretary, has promised support for the EU granting Pakistan GSP+ (Generalised System of Preferences) status to help offset the economic aftereffects of the flood.

The textile and garment industry in Germany can help their counterparts in Pakistan – so the Pakistan Textile Exporters Association – in several ways:

- by contributing to disaster relief projects for immediate help to any party directly affected by the floods and later reconstruction efforts,
- by supporting the motion of granting Pakistan GSP+status – and most of all by continuing their business relationships with their partners in Pakistan and
- not abandoning them at a critical time like this.

How much cotton has been destroyed by the devastating flood disaster in Pakistan is not known yet. Talk is about a magnitude of between 2 and 3 Mill bales with a total harvest this year of 14 Mill bales (1 bale= 170 kg), as Textination learned in a recent conversation with Peter Koppermann, managing director of the Koppermann & Co. GmbH (www.Koppermann.eu), Baierbrunn.



At the moment it seems as if there is still enough dry cotton left, especially in the storage of the spinneries. However, it is not possible to know so far if these spinneries could also drown if there is a lot of water. Opinions are here quite

diverse. Some say (maybe to pressure their own governments) that the spinneries and weaving mills already only run with a considerably lower capacity than planned. To the customers, however, they suggest that it is business as usual, with the motto: "Don't worry, we'll deliver".



The company Koppermann was not able to observe panic actions, not from European sellers of Pakistani origin or Pakistani factories themselves. So far the enterprise did not have supply problems from Pakistan. They also hear from friends in other companies who are all working together with respectable partners that these also do not have problems yet. Now the situation seems to be that it is



rather replenishments that are lacking, and that because of the missing cotton which was destroyed, as well as because of the difficulties of transportation. The last brings about slight delays, within limits.

The harvests in the US and India have been very good, so that there is hope that there will be no shortage and a further raise of the already very high prices can be avoided. It is also not clear yet how the supplies are going to be transported from the fields to the plants, if this is possible to a sufficient degree and with qualitatively adequate cotton. These effects will show shortly, when the plants have used up their stock and need new cotton.

Generally one can expect that the price of cotton will keep like this for longer and that no price decrease, even slight, cannot be obtained. This shows clearly also in the Futures-listing at the New York Cotton Market. Every buyer has to be aware, however, that the



Pakistani partner could without problems cancel the contracts due to an act of nature, if he does not want to or cannot deliver.

To get help to Pakistan fast, the German government tries to give preferences to Pakistan again. "However, we think not much of these actions, since the advantages do generally not go to the people who really need the money but only to the buyers, who profit from the preferences (which they had not calculated beforehand) or the plants, which receive



higher prices. Usually the needy do not get any of this. It would be better to make the duties that reach Europe from Pakistan directly available to the Pakistan-help."

For the rise of the worldwide cotton crop in the season 2010-11 are according to Koppermann the US the driving force. There they expect due to the bigger acreage an output of 4.1 Mill t (plus 50%). In India also a bigger



emergence is foretold, the output is supposed to rise by 8% to the record level of 5.5 Mill t. The reason for that is there also the bigger acre-

age. In China, however, the production will grow only slightly to 7.1 Mill t. In the Middle Kingdom the acreage was not expanded even though the prices have risen. The production in Pakistan is supposed to be at 2.2 Mill t (plus 8%). The four countries referred to account for two-thirds of the predicted production growth.

 Michael Bandel, authorized representative and sales manager of the TVU Garnvertrieb GmbH + Co. KG (www.tvu.de), Leutershausen, told Textination that his company expects a deficit of the Pakistani cotton harvest in 2010 of 15 to 30%. The situation in Pakistan is not clear yet, as was stressed. There are different figures buzzing around in the market. However, cotton yarns from India and Syria are still enough left.

Alois Busshaus, managing director of BIMECO Garnhandel GmbH & Co. KG (www.bimeco.de), Bocholt, told Textination, that the effects of the flood on the cotton harvest are estimated by the government in Pakistan as moderate, about 8% of the cultivated land is supposedly lost. Before the flood a record harvest had been expected, on the one hand because of an expansion of acreage, on the other hand because there was grown for the first time gene-modified cotton on large areas. Partially the plants will still recover until the beginning of the time of harvest. At the start of the flooding the prices for cotton, yarn and fabrics had gone up high. These increases could not take hold in the market, also due to vacation season in the buyer countries.



Meanwhile the prices went back to the previous level. Offers for yarns and fabrics are currently mostly available. Contracts are being concluded for delivery until end of 2010 and later. Should there be a considerable failing in cotton later this could be made up for through imports mainly from India (they are expecting a record harvest). "Currently we expect generally no supply bottleneck, however, to protect our delivery capacity we will distribute part of our purchasing to existing suppliers in other Asian supply countries."

The Bocholt yarn trading company has business relations with Pakistan since 1988, currently with more than a dozen suppliers. None of the BIMECO-supplying factories has been affected directly by the catastrophe.

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