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Report Name: Cotton and Products Update

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Report Highlights:

The 2025/26 cotton area estimate is lowered to 1.85 million hectares primarily due to a decline in area in Sindh province. As a result of this decline, the production forecast is lowered to 4.8 million (480 lbs.) bales. With domestic cotton use expected to decrease slightly, the import forecast for 2025/26 has been lowered to 5.6 million bales.

Production and Area

The cotton production forecast for the 2025/26 season is revised downward to 4.8 million bales (480 lbs. each), marking a 4 percent decline compared to 2024/25. This reduction is primarily due to the decrease in expected harvested area in Sindh province. Overall, cotton was planted on an estimated 1.85 million hectares, reflecting a 7.5 percent decrease from the previous year. For 2025/26, the Government of Pakistan had set a national cotton area target of 2.26 million hectares. While Punjab managed to achieve about 90 percent of its target, Sindh reached only around 65 percent of its area target. The shortfall in Sindh was mainly due to water shortages during planting, which were further exacerbated by a heatwave that negatively impacted the early-seeded cotton crop.

In the past three years, cotton yields and profitability in Sindh were higher than in Punjab. However, initial estimates for 2025/26 indicate a significant decline in Sindh's output. Conversely, conditions in Punjab are better, with fewer pest infestations and more stable weather compared to previous seasons.

As an indicator of crop prospects, collections at cotton ginneries as of mid-August were running about 30 percent behind last year's pace. However, cotton arrivals should accelerate in the coming months. Punjab's Crop Reporting Service indicates production is much higher than what ginneries are reporting as being delivered, indicating that once again this year ginneries' collections are significantly underreported.

Although heavy rains in July and August impacted some cotton areas in south Punjab, the growing conditions across major cotton-producing areas in mid-August were generally positive. Nonetheless, the final crop size still hinges on weather, pests, and harvest conditions throughout September.

Table 1: Production, Supply, and Demand (1,000 480 lb. Bales) (1,000 HA)

Cotton	2023/2024		2024/2025		2025/2026	
Market Year Begins	Aug 2023		Aug 2024		Aug 2025	
Pakistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2,400	2,400	2,000	2,000	1,950	1,850
Beginning Stocks	1,525	1,525	1,850	1,850	2,100	2,300
Production	7,000	7,000	5,000	5,000	5,000	4,800
Imports	3,200	3,200	6,100	6,100	5,900	5,600
Total Supply	11,725	11,725	12,950	12,950	13,000	12,700
Exports	175	175	50	50	50	50
Domestic Use	9,700	9,700	10,800	10,600	10,900	10,500
Loss	0	0	0	0	0	0
Domestic Use and Loss	9,700	9,700	10,800	10,600	10,900	10,500
Ending Stocks	1,850	1,850	2,100	2,300	2,050	2,150
Total Distribution	11,725	11,725	12,950	12,950	13,000	12,700
Stock to Use %	19	19	19	22	19	20
Yield (KG/HA)	635	635	544	544	558	565
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Table 2: Production, Supply, and Demand (1,000 MT) (1,000 HA)

	2023/2024		2024/2025		2025/2026	
	Aug 2023		Aug 2024		Aug 2025	
Pakistan	USDA Official	New Post	USDA Official	USDA Official	New Post	USDA Official
Area Harvested	2,400	2,400	2,000	2,000	1,950	1,850
Beginning Stocks	333	333	404	404	458	502
Production	1,527	1,527	1,091	1,091	1,091	1,047
Imports	698	698	1,331	1,331	1,287	1,222
Total Supply	2,558	2,558	2,825	2,825	2,836	2,771
Exports	38	38	11	11	11	11
Domestic Use	2,116	2,116	2,356	2,313	2,378	2,291
Loss	0	0	0	0	0	0
Domestic Use and Loss	2,116	2,116	2,356	2,313	2,378	2,291
Ending Stocks	404	404	458	502	447	469
Total Distribution	2,558	2,558	2,825	2,825	2,836	2,771
Yield (KG/HA)	635	635	544	544	558	565

Consumption

Following a surge in cotton consumption in 2024/25 driven by strong textile export demand, usage is projected to decline in 2025/26 to 10.5 million bales. This slowdown is attributed to expected weaker export demand, persistently high energy costs, and new tax policies affecting imported cotton.

Pakistan’s 2025/26 fiscal year budget (July–June) introduced an 18 percent sales tax on imported cotton and cotton yarn. Although this tax is refundable when the materials are used to produce textiles for export, delays in the refund process often strain the cash flow of textile exporters, potentially impacting their profitability.

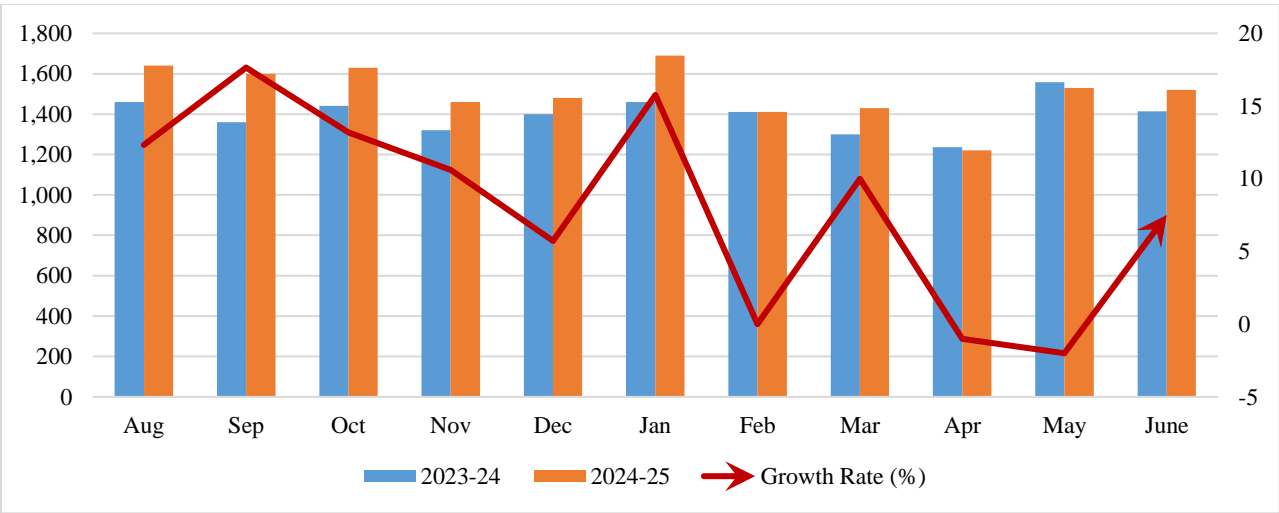
Additionally, elevated energy costs, especially in comparison to competing textile-exporting countries in the region, are expected to further erode Pakistan’s export competitiveness. Taken together, these factors led to a downward revision in the forecast for cotton use in 2025/26.

Domestic cotton consumption for 2024/25 has also been revised downward due to a slowdown in use during the final quarter of the marketing year.

Trade

The 2025/26 cotton import forecast is reduced to 5.6 million (480 lbs.) bales due to the expectations for reduced textile exports, leading to lower domestic use.

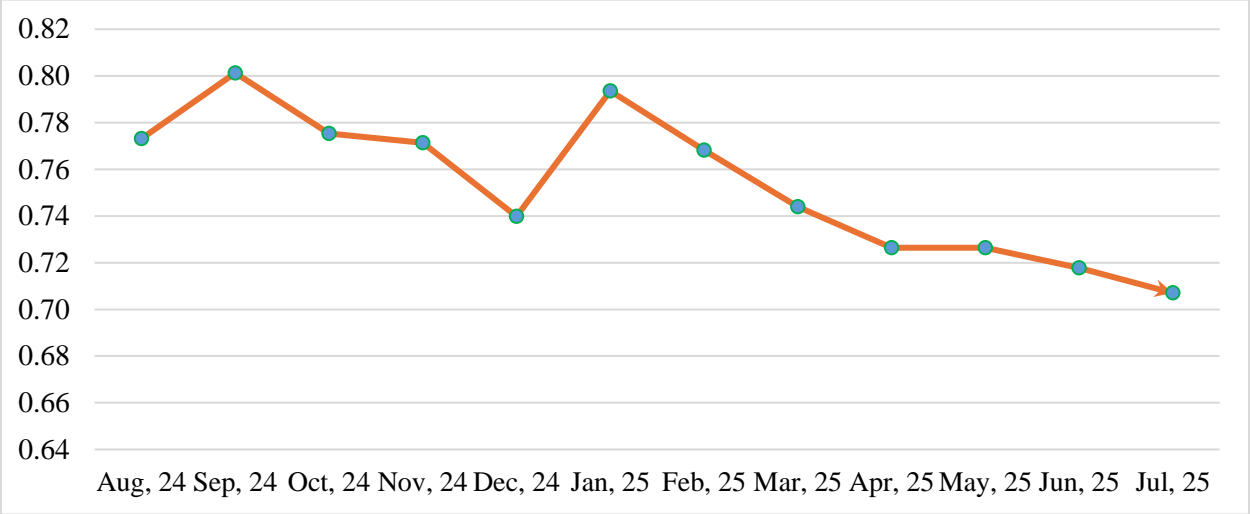
Figure 1: Pakistan’s Monthly Textile Exports (\$Million)



Prices

As of mid-August, the new crop cotton was around 67-70 cents/lb ex-gin. Although stocks of domestic cotton are short, local cotton prices have declined in the past quarter (see graph below).

Figure 2: Cotton Prices (cents/lb)



Source: Karachi Cotton Association (KCA)

Government Policies

As mentioned above, the FY 2025/26 budget introduced an 18 percent sales tax on imported cotton and cotton yarn. This measure is expected to benefit independent spinners, who had voiced concerns throughout the previous year about the competitive disadvantage posed by tax-free cotton yarn imports. Meanwhile, the 18 percent sales tax on domestically produced cotton remains in place, which is likely to incentivize ginners to continue underreporting the volume of cotton they process.

The government also approved hybrid cotton seed imports, removing a decades-long ban. Producers are optimistic that the availability of improved seed varieties will boost stagnating local cotton yields.

Table 3: Tax on Cotton and Yarn

	Tax Rate
Raw Cotton	18% sales tax (refundable against exports) 1% Advance Income Tax
Cotton Yarn	18% sales tax (refundable against exports) 1% Advance Income Tax 5% custom duty (3.75% if from China due to Pak-China FTA)

Table 4: Textile Group Exports (Million USD)

Sector	July – June (2024-25)	July - June (2023-24)	% Change
Textile Group	17,887	16,656	7.39
Raw Cotton	1	56	-98.45
Cotton Yarn	681	956	-28.76
Cotton Cloth	1,809	1,866	-3.05
Cotton Carded or Combed	-	1	-99.28
Yarn Other Than Cotton	34	32	4.75
Knitwear	5,010	4,408	13.68
Bed Wear	3,113	2,803	11.07
Towels	1,083	1,055	2.61
Tents, Canvas & Tarpaulin	125	118	6.21
Readymade Garments	4,129	3,564	15.85
Art, Silk & Synthetic Textile	400	367	8.80
Made-up Articles (Excl.Towel and bedwear)	776	715	8.45
Other Textile Materials	728	716	1.65

Source: Pakistan Bureau of Statistics

Table 5. Import Matrix (1,000 Tons)

	August-July	August-July	August-July	August-June
	2021/2022	2022/23	2023/24	2024/25
United States	351	426	284	499
Brazil	190	187	165	477
Cote d'Ivoire	126	55	28	34
Afghanistan	74	65	61	107
Australia	24	90	14	25
Argentina	33	12	16	45
Turkey	28	50	30	61
Tanzania	27	17	4	10
Benin	14	5	2	2
Greece	14	15	1	10
Togo	13	3	4	3
EU 27 External Trade	13	48	20	29
Others	64	9	26	0
Total	971	982	655	1,302

Source, Trade Data Monitor (LLC)

Attachments:

No Attachments