

## **Manufacturing Industries of Pakistan:-**

Pakistan's industrial sector accounts for about 64% of GDP. Cotton textile production and apparel manufacturing are Pakistan's largest industries, accounting for about 65% of the merchandise exports and almost 40% of the employed labour force. Cotton and cotton-based products account for 61% of export earnings of Pakistan. The consumption of cotton increased by 5.7% over the past five years while the economic growth rate was 7%. By 2010 the spinning capacity increased to 15 million spindles and textile exports hit \$15.5 billion. Other major industries include cement, fertilizer, edible oil, sugar, steel, tobacco, chemicals, machinery and food processing.

The government is privatizing large-scale parastatal units, and the public sector accounts for a shrinking proportion of industrial output, while growth in overall industrial output (including the private sector) has accelerated. Government policies aim to diversify the country's industrial base and bolster export industries.

Major Industries of Pakistan

### **Textile Industry**

The textile sector in Pakistan has an overwhelming impact on the economy, contributing 60% to the country's exports. In today's highly competitive global environment, the textile sector needs to upgrade its supply chain, improve productivity, and maximize value-addition to be able to survive. The objectives of the Textile Industry Division are to formulate strategies and programme to enable the textile sector to meet these challenges and attain global competitiveness. The Textile industry in Pakistan is the largest manufacturing industry in Pakistan. Pakistan is the 8th largest exporter of textile commodities in Asia. Textile sector contributes 8.5% to the GDP of Pakistan. In addition, the sector employs about 45% of the total labor force in the country (and 38% of the manufacturing workers). Pakistan is the 4th largest producer of cotton with the third largest spinning capacity in Asia after China and India and contributes 5% to the global spinning capacity. At present, there are 1,221 ginning units, 442 spinning units, 124 large spinning units and 425 small units which produce textile.

## **Productions**

There are six primary sectors of the textile production in Pakistan:

- Spinning
- Weaving
- Processing
- Printing
- Garment manufacturing
- Filament yarn manufacturing

Cotton is the largest segment of textile production. Other fibers produced include synthetic fiber, filament yarn, art silk, wool, and jute.

- Cotton: Cotton spinning is perhaps the most important segment in the Pakistan textile industry with 521 units installed and operational.
- Synthetic fibers: Within synthetic fibers, nylon, polyester, acrylic, and polyolefin dominate the market. There are currently five major producers of synthetic fibers in Pakistan, with a total capacity of 636,000 tons per annum.
- Filament yarn: Three types of filament yarn are produced in Pakistan. These are acetate rayon yarn, polyester filament yarn, and nylon filament yarn. There are currently about 6 units in the country.
- Artificial Silk: This fiber resembles silk but costs less to produce. There are about 90,000 looms in the country located mainly in Karachi, Faisalabad, Gujranwala, and Jalapur Jattan, as well as some in FATA.<sup>[7]</sup>
- Wool: The main products manufactured from wool include woolen yarn, acrylic yarn, fabrics, shawls, blankets, and carpets.
- Jute: Jute sakes and hessian cloth are primarily used for packing agricultural products such as grain and rice. The production of jute products was approximately 100,000 tons in 2009-10.

## **Barriers**

In recent years, Pakistan has faced competition from regional players including Bangladesh, India and Vietnam. In the past decade, Pakistan's share in global textile market decreased to 1.7

percent from 2.2 percent, Bangladesh saw an increase from 1.9 to 3.3 percent and India from 3.4 to 4.7 percent. Barriers to growth include:

- **Cost of production:** The rising cost of production in the country has stalled investment as well as export competitiveness. A vertical shift in monetary policy and KIBOR rates have contributed to an increase in the cost of doing business and reduced lending abilities of local manufacturers.
- **Energy Crisis:** Pakistan is currently facing a large-scale energy crisis. Due to energy demand exceeding supply by about 5000 MW. The government manages the deficit through daily power cuts (or blackouts). These power cuts have significantly impacted manufacturing industries in Pakistan. Several textile mills have closed their units due to inability to sustain operations. In addition, the mills have reportedly turned away export orders due to the inability to fill these orders when power cuts per day can last upwards of 12 hours.
- **Research and Development:** There has been a limited effort to improve the quality and quantity of textiles in Pakistan through research and development, limiting the competitiveness of Pakistan's textiles in the global market.

Currently this industry is facing great decline in its growth rate. The major reasons for this decline can be the global recession, internal security concerns, the high cost of production due to increase in the energy costs etc. Depreciation of Pakistani rupee that significantly raised the cost of imported inputs, rise in inflation rate, and high cost of financing has also effected seriously the growth in the textile industry. As a result neither the buyers are able to visit frequently Pakistan nor are the exporters able to travel abroad for effectively marketing their products. With an in-depth investigation it was found that the Pakistan's textile industry can once again be brought back on winning track if government takes serious actions in removing or normalizing the above mentioned hurdles. Additionally, the government should provide subsidy to the textile industry, minimize the internal dispute among the exporters, withdraw the withholding and sales taxes etc. Purchasing new machinery or enhancing the quality of the existing machinery and introducing new technology can also be very useful in increasing the research & development (R & D) related activities that in the modern era are very important for increasing the industrial growth of a country.

## Sugar Industry

# Introduction

- The Sugar industry in Pakistan is the Second largest agro based industry after Textiles
- Pakistan is an important cane producing country and is ranked fifth in world cane acreage and 15th in sugar production
- Its share in value added of agriculture and GDP are 3.4 percent and 0.7 percent, respectively .The sugar sector constitutes 4.2 per cent of manufacturing The Sugar industry employs over 1.5 million people, including management experts, technologists, engineers, financial experts, skilled, semiskilled and unskilled workers.

- In 2009 /10 Sugar cane is grown on over a million hectares and provides the raw material for Pakistan's 81 sugar mills. Sugarcane is an important industrial and cash crop in Pakistan & it produces numerous valuable by products like, alcohol used by pharmaceutical industry, ethanol used as a fuel, bagasse used for paper and fuel.

# HISTORY

- At the time of independence in 1947, there were only two sugar factories in Pakistan. The output of these factories was not sufficient for meeting the domestic requirements. The country started to import sugar from other countries and huge foreign exchange was spent on this item. The first sugar mill was established at Tando Muhammad Khan in Sindh province in the year 1961. During the year 1997-1998 there were 75 sugar mills.
- In the country and it produces 2.4 million metric tons sugar

## Sugarcane Area & Production By Province

| Province     | Area ('000' hectares) |                |                | Production ('000' MT) |               |               |
|--------------|-----------------------|----------------|----------------|-----------------------|---------------|---------------|
|              | MY<br>2007/08         | MY<br>2008/09  | MY<br>2009/10  | MY<br>2007/08         | MY<br>2008/09 | My<br>2009/10 |
| Punjab       | 827.00                | 675.00         | 689.00         | 40,372                | 32,000        | 33,500        |
| Sindh        | 310.00                | 264.00         | 280.00         | 18,300                | 14,760        | 15,350        |
| NWFP         | 105.00                | 105.00         | 110.00         | 4,800                 | 4,700         | 4,700         |
| Baluch       | 0.50                  | 0.80           | 1.00           | 28.0                  | 40.0          | 50.00         |
| <b>Total</b> | <b>1240.00</b>        | <b>1045.00</b> | <b>1080.00</b> | <b>63,500</b>         | <b>51,500</b> | <b>53,600</b> |

Sources: Ministry of Food, Agriculture and Livestock; FAS/Islamabad

## **Sugar industry in Pakistan**

- What IS SUGAR?
  - • Sugar is a vital ingredient in most of our daily consumption articles. For example: Soft drinks, juices, tea, biscuits, sweets, bakery items, deserts, pharmaceutical industry, etc.
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- NO. OF MILLS 81 CONTRIBUTION TO ECONOMY SHARE IN GDP : 0.7%  
EMPLOYMENT : 1.5MILLION TOTAL INVESTMENT : PKR 100 BILLION  
AVERAGE YIELD PER HECTOR 46.8 TONNES TOTAL CANE PRODUCTION 45.0-

55.0 MILLION TONNES CANE AVAILABLE 30-43 MILLION TONNES PER CAPITA  
CONSUMPTION 25.8 KGS CRASHING CAPACITY 6.1 MILLION TONNES  
CONTRIBUTION TO EXCHEQUER RS.12.16 BILLIONS

▪ Manufacturing Process

- :
- Sampling.
- Cleaning.
- Slicing.
- Diffusion.
- Purification.
- Evaporation.
- Crystallization.

▪ Production

- MY 2008/09, sugarcane production is estimated at 51.5 MMT, a decrease of 19 percent over the previous year due to both a reduction in area harvested and yield.
- Pakistan's MY 2009/10 sugar production is forecast at 3.65 million tonnes up about three per cent from the current year estimate of 3.56 million tonnes, according to the USDA Foreign Agricultural Service.

▪ CONSUMPTION

- MY 2008/09 sugar consumption is forecast at 4.2 MMT due to population increase and enhanced industrial use.
- MY 2009/10 sugar consumption is forecast at 4.35 MMT. Total per capita refined sugar consumption is estimated at 25 kilograms, based on improved domestic supply and strong demand. imports at 730,000 tonnes.

▪ Production Policy

- The Government of Pakistan (GOP) is striving to achieve self-sufficiency and sustainability in sugar production by ensuring the availability of inputs and establishing a sugarcane support price which is acceptable to all stakeholders. The sugar industry is looking for value added by-products, as well as reducing costs and promoting cultivation of high sucrose cane. For MY 2009/10 the state Government of

the Punjab has enhanced the cane purchase price by 25 percent over the previous year making it Rs.100 per 40 Kg (\$31.25 per MT).

- Sugarcane Area & Production By Province
- Indicative Prices of sugarcane by province
- Monthly Average Retail Prices Of Sugar
- By-Product Of Sugar Cane
  - Bagasse:
    - It is produced in the mill house in a quantity of about 30% of the crushed cane.
    - The bagasse contains 50% moisture It is used as a fuel for boilers (processing stage). Bagasse is also used for chip-board and paper manufacture.
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  - Molasses:
    - Molasses is a common ingredient in baking, often used in baked goods such as ginger bread cookies.
    - 80% of total available molasses is exported
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  - Ethanol:
    - The Pakistan sugar sector has the capacity to produce over 2.5 million metric tons (MMT) of molasses available for processing into ethanol.
    - Pakistan's sugar industry produces more than half a million tons of ethanol per annum from cane molasses, over 50 per cent of which is exported at an average price of about \$500/MT. Main destinations include: Europe, Far Eastern (Korea, Japan, Taiwan and the Philippines) and Middle East (Dubai and Saudi Arabia).
- Year Wise Molasses Production and Ethanol Export:
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  - Trade
    - MY 2009/10 sugar imports are forecast at 730,000 MT, and MY 2008/09 sugar imports estimated at 700,000 MT. The government has traditionally imported sugar through the Trading Corporation of Pakistan (TCP) in an effort to moderate sugar prices.

- Imports of raw sugar are subject to a 25 percent import duty, a 16 percent sales tax, a 10 percent regulatory duty, a 2 percent withholding tax, and a one percent central excise duty (total tax = 54 percent).
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- Stocks
- MY 2009/10 stocks are forecast at 1.05 MMT, based on projected supply-demand scenarios and trade expectations.
- Sugar Crisis
  - The country is facing the worst sugar crisis in its history with the price of sugar touching Rs. 54 per kg in the retail market and Rs. 52 per kg in the wholesale.
  - Sugar prices have risen because of the demand-supply situation. The supply in the market is not enough to meet the current demand.
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  - The main reason for the current rise in sugar prices are created by the hoarders, wholesalers and the mill owners.
  - Sweets which were earlier being sold at Rs150 to Rs180 per kg are now being sold at Rs260 to Rs300 per Kg.
- Due to flood
  - 5 to 10 percent crop was affected so far due to the heavy floods and final figures would come after the end of floods. The meeting also decided that private sector would import the sugar at zero rated duty from the next season, instead of Trading Corporation of Pakistan (TCP). Moreover it was not possible for the new sugar to enter the market before December 1, 2010 and supplement old stocks and as such 1.2 million tons of sugar import will be continued as planned.
- Recommendations
  - The Government should facilitate improved varieties of sugar cane having higher sucrose recovery through Agriculture Research Institutes and more effective measures required for disease control and better pesticides used.
  - Availability of adequate supply of water, appropriate use of fertilizer and proper spraying of insecticides & pesticides can improve yield per hectare.
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- Improvement in procurement and storage to reduce wastages.
- Conclusion
  - Sugar industry has a potential to achieve heights in Pakistan if major steps are taken into consideration in this regard.