

PRESS RELEASE

Textile Industry Associations demand calibration of Cotton Export

New Delhi – August 25, 2010. The predominantly cotton based Indian textile industry started recovering from the worst ever global recession from the beginning of the year; but is still plagued by the precarious cotton scenario prevailing in the country. In spite of production of cotton in excess of the domestic demand, the industry is unable to access quality cotton in the absence of a concrete cotton trade policy and raw material security system. Currently, this second largest employment provider of the nation is saddled with inadequate availability of quality cotton as the government has permitted export of almost 85 lakh of bales as against the estimate of 55 lakh bales by the Cotton Advisory Board at its first meeting during the beginning of the cotton season.

The textile industry was shouting from the rooftop from the beginning the cotton season 2009-10 to calibrate cotton export to have stability in both availability and price so that the export commitments of the different sectors in the textile value chain get protected. The export of 85 lakh bales of quality cotton would bring down the closing stock to around 38.5 lakh bales (CAB estimated the closing stock as 40.5 lakh bales with 83 lakh bales of export at its meeting held on 30th July 2010) bringing down the stock to use ratio to 15% as against the world average of 33%. In the past, whenever, the stock to use ratio dipped below 20% the cotton prices had increased abnormally and it is very essential to maintain at least 25% stock to use ratio to have stability in raw material prices and sustain the competitiveness of the textile industry.

Excessive exports of cotton and the resulted increase in cotton prices have become a burning problem for the entire textile value chain. The recent notification issued by the government bringing cotton from the 'restricted' products to 'free' products for export with effect from 1st October 2010 and removing export licensing on cotton has added fuel to the fire. It is understood that the export duty of Rs.2500 per ton currently applicable on cotton is also being withdrawn. The cotton price has increased by almost Rs.4000 per candy of 355 kgs within a month threatening the survival of the highly labour intensive textile industry. Traders have already covered major portion of the October and November crop under forward cover for export and if export is permitted without any restriction, the entire textile industry would unviable because of high raw material prices throwing several millions of workers out of employment.

In a statement here, Shri Shishir Jaipuria, Chairman, CITI stated that 14 textile industry organizations representing national and regional textile industries met at

Coimbatore on 21st August 2010 to discuss the cotton crisis and made a joint representation to the Government of India appealing to establish a raw material security system for the textile industry. The following organizations signed the joint representation:

Confederation of Indian Textile Industry (CITI)
Federation of Indian Exporters' Organisation (FIEO)
The Southern India Mills' Association (SIMA)
Tirupur Exporters' Association (TEA)
Tamil Nadu Spinning Mills' Association (TASMA)
South India Spinners' Association (SISPA)
South India Hosiery Manufacturers' Association (SIHMA)
Handloom Export Promotion Council (HEPC)
Madurai Spinners' Association (MSA)
South India Cotton Association (SICA)
The Karur Textile Manufacturer Exporters' Association (KTMEA)
Annur Spinning Mills Association (ASMA)
Indian Spinning Millowners' Association (ISMA)
Karur Textile Fourm (KTF)

The organisations decided to send the joint representation to Hon'ble Prime Minister, Hon'ble Ministers and Secretaries of Finance, Commerce, Agriculture, Textile Departments, Government of India and also to Mr C Rangarajan, Chairman, Economic Advisory Council to Prime Minister and Mr Montek Singh Ahluwalia Deputy Chairman, Planning Commission. The joint representation is attached.

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