

Cotton Crisis Deepens

Textile Industry Leaders Submit a Seven Point Action Frame to the Government

New Delhi Monday 13th September 2010 The unprecedented cotton crisis, triggered by the runaway prices and vaulted demand for exports, will fritter away the textile advantage of India, according to Indian textile industry leaders.

At a press conference held today in Delhi under joint auspices of the textile and clothing associations of India, they called upon the government to design policies on a durable basis for the survival of the entire textile and clothing industry and to lend a measure of support to its exports. “ We would request that the government policies may be designed to ensure that the benefits of Indian cotton are available to the domestic textile industry, rather than to industries of China, Pakistan and Bangladesh, which otherwise would be competing with us in the global textile and clothing markets on the strength of the Indian cotton,” industry leaders have lamented in a joint letter, which they have addressed to the Prime Minister, Finance Minister, Commerce Minister, Textile Minister and high ranking officials.

Mr. Shishir Jaipuria, Chairman, Confederation of Indian Textile Industry (CITI) said that despite the bumper crop of 295 lakh bales during cotton year 2009-10 (October – December), Shanker-6, which is the standard cotton, is being sold at Rs 38,000 per candy (355kgs) as against Rs 23,000 per candy in the beginning of the year. “ The unfortunate part is that even at this price, which is roughly 50 per cent higher than the Minimum Support Price (MSP), cotton is scarcely available,” and added “ at this price, textile mills cannot run viably and most mills are likely to incur losses, which will force them to default on repayment of huge loans they have taken under Technology Upgradation Fund Scheme (TUFS).

Mentioning that the cotton farmers have not much benefited from the current price rise, Mr S.V. Arumugam, Deputy Chairman, CITI said that a substantial portion of the price increase has been after most of the cotton reached the hands of traders. Procurement of cotton by the traders are mostly for export purposes. “ Export of over 83 lakh bales, a whopping 30 percent of the total production, is the crux of the problem that has upset the apple cart. The government announcement of cotton exports being removed from the restricted list resulted in an increase of around Rs.6000 a candy within a few weeks, “ he added.

Mr. A. Sakthivel, President, Federation of Indian Exporters Organisation (FIEO) observed that the announcement that the cotton exports during 2010-11 will be restricted to exportable surplus was a realization of the seriousness of the situation but maintained that it fell short of the requirement and expectations of the textile community. “Surprisingly, there have not been any measures to ensure that actual exports of cotton get restricted to exportable surplus. Export policy of cotton has been changed from restricted to free earlier this year and the stipulation of license for exports has also been withdrawn. Thus, the Department of Commerce cannot put any restrictions on cotton exports under the current policy,” he added. Moreover, the Textile Commissioner has notified guidelines for registration of contracts for export of cotton during 2010-11, but they do not have any provision for discontinuation of registration once the exportable surplus is registered.

Mr. J Thulasidharan, Chairman, Southern India Mills Association (SIMA) said that apart from apprehensions that the rains would delay the arrival of the new crop in the northern zone at least up to the middle of October 2010, there are reports that large quantities from the new cotton crop are being purchased by traders through forward cover, which will further reduce and delay the availability of cotton to the mills. The availability will be further compounded by the extensive damage to the cotton crop in Pakistan on account of the recent floods and conversion of large acreage under cotton cultivation to food crops in China.

The textile industry leaders have crystallized a seven point action frame for the government to implement at the earliest to lend a measure of support to the textile industry. These are the following:-

1. Registration of contracts may not be allowed for exports of cotton during the period October-December 2010 so that the best cotton of the country that arrives in the market during this period will be available for the domestic textile industry and exports will start only after supplies in the market stabilize.
2. Registration of contracts for exports of cotton for the period January-September 2011 may be restricted to the exportable surplus assessed by the Cotton Advisory Board (CAB), i.e. 49.5 lakh bales.
3. Contracts may be registered only for exports to actual users, in order to avoid stock transfer among traders and hoarding in order to speculate.
4. In Foreign Trade Policy, cotton may immediately be brought back to restricted list subject to export licensing, so that Department of Commerce will have legal authority to restrict exports to exportable surplus.

5. The exportable surplus may be reviewed in mid November 2010, as reportedly proposed by government. Excessive rains are still continuing and there is now a real risk of crop damage. The review is, therefore, important.
6. An export duty of Rs.10000 per ton may be enforced for cotton so that our cotton will not be available to the competing countries at low prices.
7. The export incentive of 1.5% being given on exports of raw cotton may be withdrawn immediately.

Textile industry leaders representing Confederation of Indian textile Industry (CITI), Northern India Textile Mills' Association (NITMA), Indian Spinners' Association (ISA), Clothing Manufacturers Association of India (CMAI), Apparel Exporters and Manufacturers Association(AEMA), Tirupur Exporters Association (TEA), Apparel Export Promotion Council (AEPC), The Cotton Textiles Export Promotion Council (Texprocil), The Southern India Mills Association (SIMA) etc, addressed the Press Conference and forwarded their representations jointly and separately to the Government.
