

Press Release

CITI demands Suspension of Cotton Exports

New Delhi, November 3, 2009 - The textile industry has expressed serious concerns on the steep hike in cotton prices in the country. In a statement here, Shri Shishir Jaipuria, Chairman of the Confederation of Indian Textile Industry, stated that in spite of a significant increase in arrival cotton in the market during the last couple of weeks, cotton prices for standard varieties like Shankar 6 has already crossed Rs.25000 a candy on spot basis and the trend of price increase still continues. He stated that after two years of an unprecedented crisis, the textile industry is on the verge of a recovery, since the economies in the western countries have started showing some positive trends and demand for textile products have also started improving. However, at the current cotton prices, our textile products are simply not competitive in the global markets.

Shri Jaipuria pointed out that two segments of the Indian economy that depend substantially on cotton are the farmers and the textile industry. The interests of cotton farmers have been protected by government with a huge hike announced last year in Minimum Support Prices. In fact, currently our cotton prices are substantially above even the hiked MSPs and thus farmers are getting remunerative prices. The interests of the textile industry also need to be protected to ensure that the demand for our cotton is sustained on a long term basis, thus benefiting both the farmers and the industry. In this context, Shri Jaipuria stated that the current increase in cotton prices is not the function of either market trends or MSP. The real driver for the price escalation is speculation by cotton traders, especially a few large international traders who are operating in the Indian market, on the strength of highly competitive capital available to them from global sources. Shri Jaipuria stated that according to market information, more than 15 lakh bales of the new crop has already been bought by these large traders for export and this has pushed up domestic prices.

CITI Chairman stated that in the long term interest of India's cotton economy as a whole, it has to be ensured that our cotton is available to our industry at competitive prices. The only way to achieve this is by curtailing speculation in the market that benefits traders and not either the farmers or the industry. Shri Jaipuria requested government to immediately suspend cotton exports upto end March 2010 so that speculation by traders can be curtailed at this crucial period when most of our crop reaches the market. He added that cotton production in the country is expected to be substantially lower than 305 lakh bales estimated by CAB in its last meeting, because of the havoc created by rains subsequently. In the context of the slow but steady improvement in the economies of the USA, EU, Japan etc. the industry is hoping to achieve significant increase in cotton consumption. Thus, we may not have any surplus cotton for export at all. If large exports take place at this stage, the best of our cotton will go to our competing countries and the domestic industry will suffer both in terms of quantity and quality of cotton during the rest of the year. He stressed the need for maintaining a healthy stock-to-use ratio to ensure adequate cotton availability to the highly labour intensive and export oriented textile industry. Shri Jaipuria stated that the urgent measure required from the government to remedy the impending cotton crisis is to announce the suspension of cotton exports for a period of three months and to review the situation in early February 2010, when the cotton situation will be clearer.

Shri Jaipuria requested the immediate intervention of the Minister of Textiles and the Minister of Commerce and Industry to prevent cotton exports and speculation by international cotton traders at the current crucial juncture when the potential recovery in the textiles and clothing sector is being threatened by the price spiral in domestic cotton.

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