

## **Calibrate Cotton Exports to Meet Domestic Demand –Textile Mills**

**New Delhi, Friday, 20<sup>th</sup> November 2009.** Textile mills have urged the government to calibrate cotton exports on the basis of exportable surplus and said that it is not demanding any blanket ban on cotton exports.

While briefing the press yesterday evening, Mr. Shishir Jaipuria, Chairman, Confederation of Indian Textile Industry (CITI) clarified that calibrated export of cotton from the country is in no way going to affect the remunerative prices being given to the farmers since the demand for cotton in the coming months and years would be much more than what it is now. “Insistence on shipping only exportable surplus should not be viewed as a regulation but a well accepted principle followed by several countries including the most developed ones,” he said, adding that such a move will be for the general good of the economy and the common man since it would make available clothing at affordable prices besides creating employment.

Mr. Jaipuria observed that as an immediate measure for curbing the runaway growth in cotton prices, the registration of cotton contracts should be temporarily suspended. “The high level of registration of export contracts has to be viewed against the backdrop of high pitched speculation in international trading carried out by a handful of international commodity traders who are making huge profits leveraging on the possible decline in the cotton production globally,” he said by adding “whatever we had experienced in the financial sector meltdown and oil shock should not be repeated in the case of cotton.”

Explaining the rationale of his suggestion to immediately suspend the registration of export contracts, CITI Chairman observed that over 18 lakh bales have already been registered with the Textile Commissioner, for exports, from around 30 lakh bales that have so far arrived in the market. This trend can starve the domestic textile industry of this vital raw material. “The situation can be reviewed after March 2010, which is a sufficient timeframe to take stock of the emerging situation,” he added. He also maintained that such governmental interventions at critical times will send the right signal to the cartel of international cotton traders, who are cashing in on the quantum jump in production and quality achieved by the Indian cotton farmers thanks to the introduction of the Technology Mission on Cotton and genetically modified cotton. “Textile mills, spearheaded by CITI played an important role not only in convincing the government and the public the benefits of introduction of genetically modified (GM) cotton, which was caught up in a maze of controversies but also propagating it across the cotton belt through their extension programmes,” he added.

CITI Chief observed that the government has enhanced the minimum support price (MSP) for cotton substantially, necessitating huge outflow from the budgetary sources and entailing higher prices for sourcing by the textile mills. “We should not allow these benefits to the farmers and pains in terms of higher input cost to the industry to be frittered away by the international trading agencies for sourcing cotton from India for selling it to other countries like China, Bangladesh, Pakistan etc, which are the arch competitors of India in the global textile markets,” he added.

CITI Chief observed that cotton consumption in India is likely to go up both for the domestic sector and exports since the projection is that the decline in cotton area globally will be further sharpened in the coming years on account of the conversion of cotton growing areas into tracts for growing food articles and bio-fuel. This trend is very evident in major cotton growing countries like US, China and Brazil. The government has to take cognizance of this unhealthy trend and its impact on the Indian cotton scene. “The cumulative impact of this trend has led to the government introducing the procedure of registration of export contracts of cotton last year, with the objective of monitoring exports and to take corrective action to hold the prices,” he added. The demand of the textile industry to suspend temporarily the registration of export contracts should be taken as a follow up of the felt need of the industry and general public, particularly on account of the sharp fall in cotton production expected this year.

Mr. Jaipuria observed that Indian textile industry has invested close to Rs 85,000 crore in the sector either by way of Greenfield projects or for expansion and modernization during the last few years. Capacities of the mills have been increased necessitating higher quantum of the basic input – cotton. “If these mills are hamstrung by input crisis, many of the mills will be closed down, viability of a large number of them will be affected. “ Ensuring adequate quantum of cotton at affordable prices is therefore critical to the working of these mills, which have huge workforces dependent on them.”

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