

PRESS RELEASE

Industry takes Cotton Grievances to the Textile Minister

New Delhi, October 14, 2009 - The industry has requested Textile Minister, Thiru Dayanidhi Maran to intervene in some of the serious issues affecting the entire cotton economy of the country. In a meeting chaired by Textile Minister today, Office-Bearers of Confederation of Indian Textile Industry (CITI), Southern India Mills' Association (SIMA), Northern Indian Textile Mills Association (NITMA) Cotton Textiles Export Promotion Councils (Texprocil) and other industry representatives pointed out that the export incentive for raw cotton and the procedures adopted for disposal of procured cotton during cotton year 2008-09 played a major role in increasing cotton prices in the domestic market and making Indian cotton available to the competing countries at cheaper prices.

In his presentation to the Minister, Shri Shishir Jaipuria, Chairman, CITI requested that export incentives for raw cotton should not be reintroduced since the country will have very limited exportable surpluses in cotton year 2009-10. He pointed out that there has been damage to cotton because of the recent floods which would bring down production, whereas industry is picking up and cotton consumption would go up. Since shortage of cotton is expected in the global markets, international prices are likely to go up and this will drive export growth from India in raw cotton. On top of all this, if incentives are also given on raw cotton export, domestic textile and clothing industry which employs millions of workers would become totally uncompetitive and this would affect industrial production, export earnings and employment generation. He also pointed out that if all cotton produced in the country is processed into textile products, this would encourage value added exports and create more jobs.

The industry representatives strongly pleaded that discount on bulk purchases that Cotton Corporation of India had operated during last cotton year should not be operated this year, since this would only help large traders to manipulate the market.

The meeting was attended by senior officials from the Ministry, in addition to the Minister himself. The Minister assured the industry that the discount scheme on bulk purchases would be discontinued. On export incentives for raw cotton, Textile Minister informed the industry that he had already taken up this issue with the Prime Minister, Finance Minister and Commerce Minister. The Minister also responded favourably to the industry's request and Cotton Corporation of India should open more depots in textile clusters for selling procured cotton. Cotton

Corporation of India was instructed to ensure continuous supply of procured cotton to the industry and to avoid holding procured cotton which could lead to artificial shortage in the market. The Textile Minister observed that CCI should have an industry friendly approach in MSP operations, while ensuring at the same time that it does not run into losses. The Minister also advised the industry to ensure prompt purchase of procured cotton so that CCI would not have to incur carrying charges and would be able to promptly dispose of procured cotton.

The industry representatives requested that Cotton Advisory Board which is the national body for monitoring all aspects of availability, price and trade of cotton should meet every month during the peak season of November – March in order to ensure that cotton situation is assessed on a continual basis and necessary policy inputs are recommended to Government. The Minister welcomed this suggestion and stated that CAB would meet frequently during the peak season. In his concluding remarks, the Minister observed that advantage of Indian cotton should be available to the textile and clothing industry of India while cotton farmers in the country should get remunerative prices on their produce. He stated that MSP operations of CCI and the purchase operations of the textile industry should both ensure that the requirements of the farmers as well as textile industry are fully taken care of. He also agreed to the suggestion of the industry to monitor cotton export closely in order to ensure that exports were allowed only after taking care of the requirements of the domestic industry.

The industry pointed out that the pricing policies of CCI and its procedures for disposing of procured cotton need close monitoring. They added that the procedure of staggered delivery that CCI followed was welcome, but this should be restricted to actual users. The Minister asked the industry to make their detailed recommendations on these aspects for the consideration of the Ministry.

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(SHISHIR JAIPURIA)
CHAIRMAN