

Spinning Comes to a Grinding Halt – Chairman, CITI

New Delhi, Monday, 23rd May 2011. The Rs 70000 crore cotton spinning industry, employing over 7 lakh workers and exporting nearly US\$3 billion worth of yarn annually, has come to a grinding halt on Monday, 23rd May 2011, following a combined appeal from the Confederation of Indian Textile Industry (CITI) and several associations of cotton spinners for a one-day closure of mills to highlight the current problems of the sector. Shri Shishir Jaipuria, Chairman, CITI said that the closure was complete all over the country from Punjab and Uttarakhand in the North to Tamil Nadu and Andhra Pradesh in the South. He added that the mills will also be idling one third of their capacities from 24th May onwards.

Shri Jaipuria stated that a virtual ban on exports of cotton yarn during over two months in the last quarter and a declining trend in domestic demand had resulted in a huge unsold stock of cotton yarn with the spinning mills all over the country. When exports were allowed from April 2011, the accumulated stock caused a crash of cotton yarn prices in the global and domestic markets. Worse still, consumers started shying away from the markets, because of their perception that prices would decline further since mills are flush with stocks and have to unload them at any cost.

“With a share of over 25 percent in world markets, Indian supplies are crucial to global prices of cotton yarn. Discontinuation of Indian exports had pushed up prices in the global markets to unprecedented levels during last quarter and over supplies from India have led to the crash of global prices from April 2011” said Shri Shishir Jaipuria. Since domestic demand remains lackluster, cotton yarn producers are finding it extremely difficult to dispose of the accumulated stocks. The curtailing of production through full closure on 23rd May and one third closure from 24th May 2011 is expected to help in reducing stocks to some extent, he added.

Shri Jaipuria stated that the excise duty of 10.3 percent imposed on the garment industry in this year’s Budget and the recent legal action against hundreds of dyeing units in Tirupur have created serious problems for the garment industry of the country and this in turn is also affecting consumption of both yarn and fabrics. He hoped that the excise duty would be withdrawn and an immediate solution would be found for restoring the dyeing units of Tirupur, in the interest of the entire textile value chain of the country.

Stating that a combined representation has been sent to the concerned Ministers by all the textile associations that have called for the production cuts, Shri Shishir Jaipuria said that restoration of draw back facility on cotton yarn exports is the most important step that government can now take to ease the crisis in the spinning industry. He thanked the industry for its positive and spontaneous response to the call for curtailing of production and observed that irrespective of size and location, all spinning mills in the country have participated in the closure today.

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