

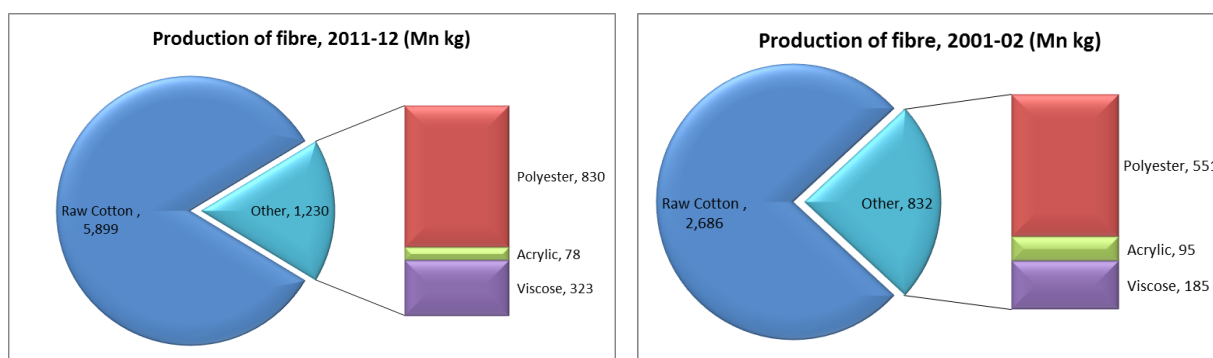
Factors Governing Raw Materials for Indian Textile Industry

Introduction

The textile industry occupies a unique place in our country. Textile industry accounts for 14% of the total Industrial production, contributes to nearly 20% of the total exports. The industry is the largest foreign exchange earner, accounting for more than 5 per cent of GDP and providing direct employment to 38 million people, primarily the weaker sections. The Textile industry is the second most important sector only after agriculture. The article will summarize production, pricing and government policies influencing three important segments of Indian fibre industry, viz. cotton, silk & jute, and polyester.

Cotton

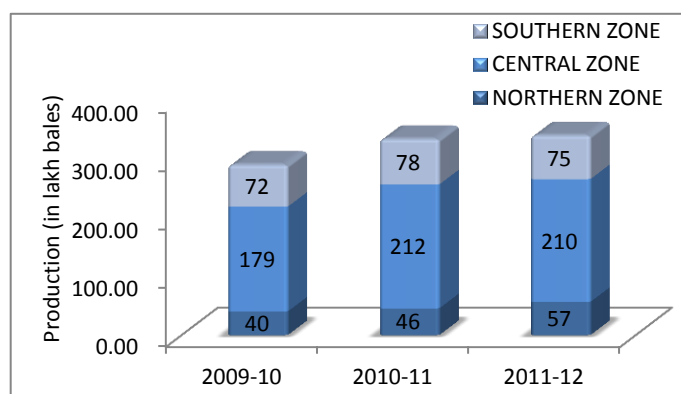
Currently, cotton is the most widely produced fibre in India acquiring around 80% of total domestic production while others including man-made and cellulosic fibres acquire the rest. The production of cotton has increased more than twice over the last ten years. The fibre is widely used because of its comfort, softness, breathability, absorbability, etc. which make it the fibre of choice for various apparel articles along with towels, bed sheets and a range of other textile products. There are mainly three cotton-producing zones in India, the central zone has the



Source: Office of Textile commissioner, Ministry of Textiles

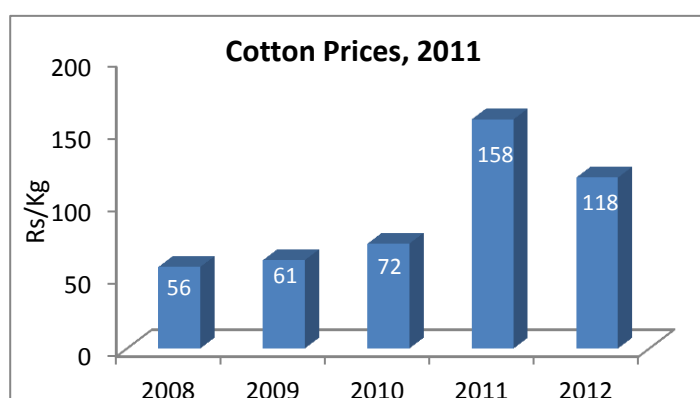
maximum area (78.24 lac ha) under cotton cultivation with Maharashtra contributing the most (41 lac ha) but the yield (kg/ha) of cotton in central zone is lowest (455 kg/ha) as compared to northern and southern zones. The highest yield is obtained in the state of Tamilnadu with 780 kg/ha. But, India still has to go long way to catch up with the world average yield of 735 kg per hectare as of 2009 - 10. India's yield position as of today is only 505 kg per hectare.

About 70% of total cotton is produced in Gujarat, Maharashtra and Andhra Pradesh. The northern region produces short and medium staple cotton; the southern region normally produces long staples cotton, while the central region produces long and medium staples.



Cotton prices

The Government of India fixes the Minimum Support Price for cotton based on the recommendations of the Commission for Agricultural Cost and Prices. As of 2011, price of cotton was Rs158/kg which was tremendously high compared to previous years due to supply shortage. Currently, the rates have again been brought down to Rs118/kg.



Source: Office of Textile commissioner, Ministry of Textiles

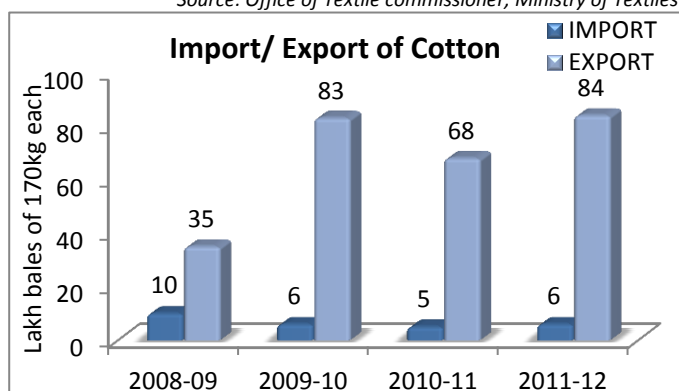
Prices of major fibres in Indian textile market (/kg)

YEAR	RAW COTTON (Wt. avg.)	VISCOSE STAPLE FIBRE (Avg.)	POLYESTER STAPLE FIBRE (Avg.)	ACRYLIC STAPLE FIBRE (Avg.)	IMPORTED MERINO WOOL (Avg.)
2008	56.3	115.8	62.2	109.2	364.3
2009	61	100	63.2	109.2	268.4
2010	72.4	125.5	75.2	109.2	395
2011	158.27	166	118.65	109.2	463.7

Import/ Export of Cotton

India is the second largest exporter of cotton behind the US. India's exports reached 84 lakh bales of 170kg each in 2011/12. Major export destinations are Bangladesh, Pakistan, China (Mainland) and other Far-east countries. India's imports reached 520,000 tons in 2001/02, but dropped due to the heavy expansion of domestic cotton industry. As of July 2008, the Indian government abolished the duty on cotton imports into the country.

Source: Office of Textile commissioner, Ministry of Textiles



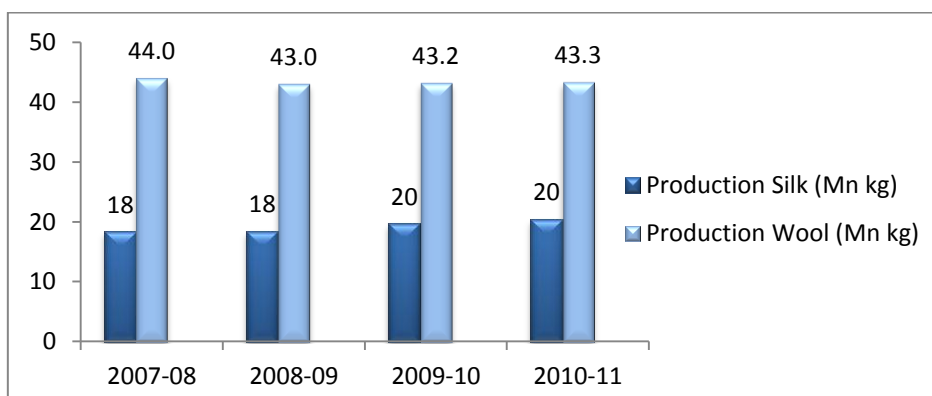
Government Policies for Cotton

Today both cotton exports and imports are under Open General License (OGL). In order to boost cotton exports, duty drawback incentive of 1% was levied. From July, 2008 the Government of India withdrew the duty drawback incentive on cotton exports. Similarly, till July, 2008 an import duty of 10% was levied. However, even this was removed along with special countervailing duty on imports of cotton. Government of India has increased the Minimum Support Price (MSP) in June, 2012 by 28% to INR 3,600 per quintal for medium staple fibre and by 18% to INR 3,900 per quintal of long staple fibre.

The global prices of cotton keep fluctuating because of various reasons. Poor crop in any of the cotton growing countries leads to the reduction in the availability of cotton thereby increasing the prices. The floods in Pakistan and China and poor rains in some of the other countries disrupted the supply substantially about 2 years back. The cotton availability fell short and the prices increased to almost double than the previous season. Some retailers chose to work more with synthetic fibres to keep the overall cost of goods sold to a certain level.

Silk and Wool

The indigenous production of wool and silk hasn't seen much variation over last five years. While the production of wool was 43.3 Mn kg during FY2010-11, the production of silk was 20.41 Mn kg during the same period.



Source: Office of Textile commissioner, Ministry of Textiles

Man-made Fibres

India is the second largest producer of man-made fibres in the world (World Fibre Report 2008). MMF textiles constitute almost two-third of the domestic textile market. Reliance Industries Ltd., the largest corporate of India, monopolises the Indian synthetic fibre market and exports majorly to countries like China and Pakistan — the two countries that remained short supplied of cotton and, most importantly, compete with India in the global markets.

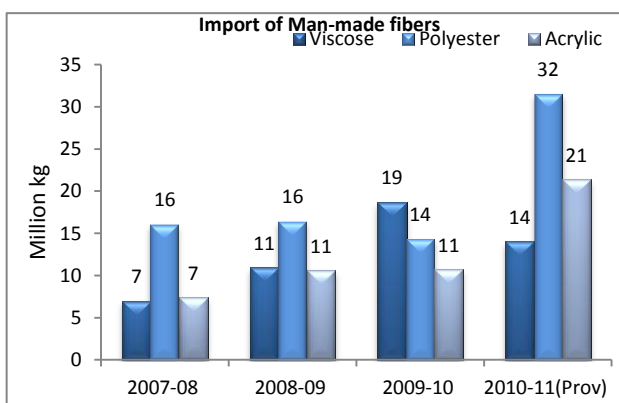
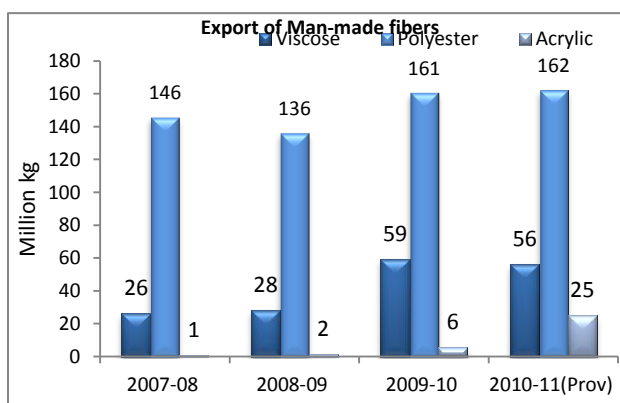
Polyester, being the most widely used man-made fibre in India, is experiencing an average growth rate of around 4% y-o-y with production of 896 Mn kg in 2010-11 followed by viscose with production of 305 Mn kg in 2010-11.

YEAR	Production (Mn kg)				
	Viscose	Acrylic	Polyester	Polypropylene	Total
2007-08	280	81.3	880	3.43	1244.73
2008-09	233	79.5	750	3.43	1065.93
2009-10	302	90.45	872	3.37	1267.82
2010-11	305	79.4	896.3	3.74	1284.44

Import and Export of man-made fibres

India's share in global exports of value-added textiles of man-made fibres is miniscule at around 2.25% in 2008. The domestic MMF: cotton fibre consumption ratio in India is 41:59 (FY09) while it is the reverse globally. The share of man-made fibres in total fibre consumption has risen from 25% in early nineties to 41% at present.

The share of man-made fibres in total fibre consumption has risen from 25% in early nineties to 41% at present. However, since quota abolition, the share of MMF in India's fibre consumption has almost stagnated at around 40% on account of rising cotton production and global demand for cotton by textile manufacturers to cater to export demand from global markets.



Source: Office of Textile commissioner, Ministry of Textiles

Government Policies for man-made fibres

To meet the objectives of attaining high growth and increasing the competitiveness of Indian textile industry requires addressing of issues and constraints faced by the industry at present like lack of global competitiveness, limited number of players, levy on anti-dumping duties, etc. For addressing these concerns, following recommendations have been made in National Fibre Policy, 2010-11 by Ministry of Textiles, GOI:

- **A fibre - neutral excise policy** is recommended i.e. all textiles and fibres should attract the same excise duty i.e. 4% optional. Currently, cotton has been exempted from excise duty while it's 10% on MMF and MMF textiles.
- **Customs duty exemption** is recommended for specialized MMF which is not produced indigenously.

- **Export oriented incentives** should be provided to manufacturers of MMF textiles and garments for a limited period to neutralize the impact of cost- disadvantage vis-à-vis exporters in competing countries.
- **Schemes for capacity expansion and up-gradation of machinery:** At present, TUFS is available to the textile industry for up-gradation of machinery. However, under TUFS, all the segments of the textile industry are covered except manufacturing of synthetic fibres and yarn as the latter is administered by the Ministry of Chemicals and Petrochemicals. Given that man-made fibres are used by the textiles industry, incentives provided to MMF industry for technological up-gradation will ultimately benefit the user industry.

Conclusion

At present, cotton occupies the major portion of fibre industry in India but the share of man-made fibres is projected to grow in coming years. The production of natural as well as man-made fibres, except silk and jute, is increasing year on year. Cotton industry has seen some good developments due to cultivation of hybrids, Bt cotton varieties, latest technologies, increase in area under cultivation and various government policies encouraging use of quality seeds and pesticides while factors like increasing technical textile industries and functional apparel segment have augmented the consumption of synthetics fibres.

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