



HOMETECH

CHAPTER V

*THE COTTON AND
MAN-MADE FIBRE AND
FILAMENT YARN INDUSTRY*



INDUTECH

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RAW COTTON

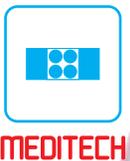
Cotton is one of the principal crops of the country and plays a vital role in the Indian economy, providing substantial employment and making a significant contribution to export earnings. The ratio of the use of cotton to man-made fibre and man-made continuous filament yarn is 60:40 in the Indian textiles industry (based on financial year 2005-06). It engages around 6 millions farmers, while another about 40-50 million people depend on activities relating to cotton cultivation, cotton trade and its processing for their livelihood. It is the principal raw material for the domestic textiles industry. As on December 31, 2007, there were 1,744 cotton/man-made fibre textiles mills (non-SSI). in the country with a capacity of 34.87 million spindles, 4,57,000 rotors, and 56,000 looms. In addition another 1,219 small scale spinning units with 4.00 million spindles and about 1,57,866 Rotors are in the small scale decentralised sector. Cotton and cotton related textiles items contribute significantly towards exports earning of the country.

PRODUCTION & CONSUMPTION

India was the 2nd largest producer (4.76 Million Metric Tons) of cotton in the world during 2006-07, accounting for 18.45% of global production. During 2006-07,

India led the world in cultivated area (9.16 Million hectares). In productivity (521 kg.lint/ha), India was far behind many countries (USA: 912 kg/ha, China: 1251 kg/ha and World Average: 756 kg/ha). The major reason for low yield is that 65 % area under cotton is rainfed. The country's cotton output for the cotton season of 2006-07(October-September) was estimated at a record 280.00 lakh bales (of 170 kgs each). Gujarat produced 101.00 lakh bales significantly higher than the earlier level of 23.75 lakh bales, during the cotton season of 2000-01(October-September). For the first time in the cotton season 2006-07(October-September), cotton yield was about 521 kg/hectare, recording an increase of 10.17% against the cotton season of 2005-06(October-September). With the further possibility of increase in use of Bt seeds/ Hybrid seeds, and a decline in the cost of such seeds, it is estimated that by the terminal year of XI Five Year Plan (2007-2012), the yield per hectare will increase to 700 kgs., and cotton production will reach 390 lakh bales.

The consumption of cotton has been increasing over the last few years. The total consumption has risen from 111.09 lakh bales in 1991-92 (mill and non-mill), to 235 lakh bales in the cotton season of 2006-07 (Oct-Sept), which is the highest ever recorded. This increase



in consumption is due to the additional capacity created in the Cotton Textiles Industry. The variety-wise demand for cotton almost follows the same pattern as the variety-wise production. The major demand is for medium and medium long staple variety, which also has the largest share in the total production of cotton. The demand for short staple varieties is relatively very small. The Cotton Balance Sheet, as drawn by the Cotton Advisory Board (CAB), from 1999-2000 to 2006-07 (Oct.- Sept.) is at table 5.1

IMPORT

Imports of cotton into the country were placed under Open General license on April 19, 1994. Till 1998-99, there was no import duty on cotton. With effect from

March 1, 1999, import duty to the tune of 5% was levied on cotton imports with an additional 10% surcharge. In order to avoid import of cheaper cotton, mainly on price consideration, the Government of India had levied 10% import duty w.e.f January 8, 2002.

The objective of placing import of cotton under OGL was to maintain a balance in the supply and demand of cotton, and stabilize the price and easy availability of cotton at competitive prices for the Indian textiles Industry, thereby making them competitive in the international market. The import of cotton at zero rate of duty is also permissible under the Advance Licensing Scheme, against the export of end product. Further, the 100 % Export Oriented Textiles Units (EOUs) can also

Table 5.1
Data on Area, Production, Yield and Consumption of Cotton for the period from cotton season 1991-92 to 2006-2007 {as per the Cotton Advisory Board (CAB) estimates}

Cotton Year	Area in Lakh Hectares	Cotton prodn. in lakh bales of 170 kgs each	Production in 000's tonnes	Cotton yield in kg/ Hectare	Cotton Consumption in lakh bales of each mill + non-Mill + SSI Units
1991-1992	76.01	119.00	2023.00	266.14	111.09
1992-1993	75.41	138.00	2346.00	311.00	125.01
1993-1994	74.40	121.50	2065.00	278.00	127.00
1994-1995	78.61	138.50	2354.50	300.00	135.00
1995-1996	90.63	170.70	2901.90	320.00	154.29
1996-1997	91.66	177.90	3004.30	330.00	170.16
1997-1998	88.29	158.00	2686.00	307.00	159.01
1998-1999	92.87	165.00	2805.00	302.00	165.36
1999-2000	87.31	156.00	2652.00	304.00	173.36
2000-2001	85.76	140.00	2380.00	277.52	173.03
2001-2002	87.30	158.00	2686.00	307.67	171.76
2002-2003	76.67	136.00	2312.00	301.55	168.83
2003-2004	76.30	179.00	3043.00	398.82	177.10
2004-2005	87.86	243.00	4131.00	470.11	195.03
2005-2006*	86.77	241.00	4097.00	472.17	219.00
2006-2007*	91.58	280.00	4760.00	519.76	235.00

* CAB estimated in its last meeting held on 09.08.2007

meet their requirement of inputs, which also includes raw material, i.e., cotton fibre at Zero percent duty. As such, textiles mills are at liberty to import cotton of any variety from any country to meet their requirement.

The IXth Five Year Plan (1997-2002) witnessed a significant increase in cotton import, simultaneous with a sharp decline in export. Decline in production and non-availability of good quality cotton in certain staple classes (Long Staple Category of 27.5-32 mm length) at reasonable price has contributed to this trend. However, the situation was reversed during the Xth Five Year Plan (2002-2007) and import has been declining, simultaneously with a continuous increase in export. Lower imports can be attributed to higher domestic production at 280.00 lakh bales, and the price difference which has closed substantially. Only need-based imports of Extra Long Staple (ELS) category (32.5 mm length and above) have taken place during the cotton season of 2006-07 (Oct.-Sept.). During the XIth Five Year Plan (2007-12), import of raw cotton

will be in the range of 5-10 lakh bales (of 170 kgs. each) particularly of ELS cotton.

The data on the import of cotton during the period from 1997-2006 is at table 5.2

EXPORTS

The IXth Five Year Plan period witnessed a significant decrease in cotton export. Due to the high domestic price, vis-à-vis, low international prices and the superior quality of cotton abroad, Indian cotton lost its competitiveness in a sharply declining international price scenario. Of late, cotton quality has improved and due to good production coupled with improved quality, exports have picked up significantly in 2004-05 and 2005-06. The exports during the cotton season of 2006-07 (Oct.-Sept.) have been estimated at 58.00 lakh bales, which is the highest ever recorded, and is basically due to the increase in demand from China, the better brand image of Shankar-4 variety grown in the State of Gujarat, and high domestic stocks. Details of exports of cotton during 1997-2006 is at table 5.3

Table 5.2

Cotton Year (Oct-Sept)	Import Quantity (in lakh bales of 170 kg each)*
1997-1998	04.13
1998-1999	07.87
1999-2000	22.01
2000-2001	22.13
2001-2002	25.16
2002-2003	17.67
2003-2004	07.21
2004-2005	12.17
2005-2006	05.00
2006-2007	05.53
2007-08 (P)*	06.50

* AS per CAB estimated in its last meeting held on 11.01.2008. (P) - Provisional

Table 5.3

Cotton Year (Oct-Sept)	Export quantity (in lakh bales of 170 kg each) *
1997-1998	3.50
1998-1999	1.01
1999-2000	0.65
2000-2001	0.60
2001-2002	0.50
2002-2003	0.83
2003-2004	12.11
2004-2005	9.14
2005-2006	47.00
2006-2007	58.00
2007-2008 (Estimated)*	65.00

* CAB estimated in its last meeting held on 11.01.2008.



The future prospects for export look well, as cotton quality has improved in the last 3-4 years and Indian Cotton is more export-worthy now.

In a bid to boost cotton trade, the Government had already removed all the restrictions on the export of cotton, vide Notification No. 18(RE-2001)/1997-2002, dated July 2, 2001, issued by the Director General for Foreign Trade, Ministry of Commerce & Industry, under which, conditions relating to certification on registration, allocation, quality and quantity of export of raw cotton, by the Textiles Commissioner has been dispensed with w. e. f. July 2, 2001.

PRICES OF COTTON

(i) Kapas Price

For the cotton season of 2007-2008 (Oct – Sept), the Minimum Support Price (MSP) of Kapas (Seed cotton) for fair average quality has been fixed at Rs.1800/- per quintal for medium staple variety (F-414/J-34/H-777). Similarly, the MSP for H-4 (Long staple variety) has been fixed at Rs.2030/- per quintal, an increase of Rs. 40/- per quintal over the support price of 2006-07. The MSP for F-414/H-777/J-34 variety of kapas would be made applicable only to Rajasthan. The price of said variety i.e. F-414/H-777/J-34 is grown in Haryana

and Punjab and its price has been fixed keeping in view the respective quality differential, vis-à-vis, Rajasthan, obtaining in these States. Based on the MSP for these two basic varieties and taking into account of the fibre quality parameters and other relevant factors, the support price for other varieties of kapas of fair average quality for the cotton season of 2007-08 is fixed by the Textiles Commissioner.

During the Cotton Season of 2006-07 (Oct - Sept), the kapas prices were ruling higher than the previous year (2005-06) price level through out the cotton season. Due to record production in the country, as well as, in the world, the kapas prices have been higher during the cotton season of 2005-06 (Oct.-Sept.) and have touched the MSP level in all states. The Cotton Corporation of India Ltd. (CCI) had undertaken MSP operation for the limited period during the cotton season of 2006-07 and also procured kapas equivalent to the lint cotton of 11.78 lakh bales (of 170 kgs. each) under MSP operation till 30.9.2007.

(ii) Lint Price

The seasonable average prices in the case of all varieties during 2006-07 remained well above those in the previous season (2005-06) as may be evident from the table 5.4

Table 5.4

Variety	Average Spot Rate (Rs./qtl.) During Oct. – Sept.		
	2005-2006	2006-2007	% Change
J-34	4470	4858	(+) 08.68
LRA-5166	4623	5129	(+) 10.94
H-4	4793	5149	(+) 07.42
S-6	5130	5373	(+) 04.74
DCH-32	11618	9171	(-) 21.06

COTTON ADVISORY BOARD

The Cotton Advisory Board (CAB) is a representative body comprising Government agencies, growers, industry & trade. It advises the Government generally on matters pertaining to production, consumption and marketing of cotton, and also provides a forum for liaison among the cotton textiles mill industry, the cotton growers, the cotton trade and the Government. The Board originally reconstituted on June 26, 2006, consisting of 51 members, 7 Government of India nominees, 11 State Government nominees, 7 representatives from cotton growers, 5 representatives from the textiles industry, 5 representatives from the cotton trade, 4 representatives from Ginning & Pressing (G&P) sector, 6 representatives from Cotton Research & Development Institutions, 1 representative from Powerlooms Sector, 2 representatives from seed Manufacturing, 1 representative from Handlooms Sector, and 9 other nominated members. The reconstituted Board is valid upto June 25, 2008.

INTERNATIONAL COTTON ADVISORY COMMITTEE (ICAC)

The International Cotton Advisory Committee is an association of Governments having an interest in the production, export, import and consumption of cotton. It promotes cooperation to find solution of cotton problems, particularly those of international scope and significance. The functions of the International Cotton Advisory Committee are to:

- Observe and keep in close touch with developments affecting the world cotton situation.
- Collect and disseminate complete, authentic, and timely statistics on world

cotton production, trade, consumption, stocks and prices.

- Suggest, as and when advisable, to the governments represented, any measure the Advisory Committee considers suitable and practicable for the furtherance of international collaboration directed towards developing and maintaining a sound world cotton economy.
- Be the forum of international discussions on matters related to cotton prices.

The 66th Plenary meeting of the International Cotton Advisory Committee (ICAC) was held at Izmir, Turkey from October 22 – 26, 2007. Representatives from 53 Countries participated in the meeting. The theme of the meeting was “**Strategies for National Competitiveness**”. The session and workshop planned were on several major topics. The Indian delegation was led by Shri Sutanu Behuria, Additional Secretary and Financial Adviser, Government of India, Ministry of Textiles, New Delhi.

The 65th Plenary Session of ICAC was held in Goiania, Brazil from September 11-15, 2006. For the fiscal year 2006 (July, 2006-June, 2007), India's contribution to ICAC was US \$ 58,300.00 (approximately Rs. 23.64 lakh).

TECHNOLOGY MISSION ON COTTON

The Technology Mission on Cotton (TMC) was launched by the Government of India on February 21, 2000, with the objectives to address issues of raising productivity, improvement of quality and reduction in the cost of production of cotton and thus providing the much-needed competitive advantage to the textiles industry along with ensuring attractive returns to the farmers.



PROTECH

The Mission consist of four Mini-Missions (MM), which are jointly being implemented by the Ministry of Agriculture and the Ministry of Textiles. The Research & Development of Cotton and Dissemination of technology to farmers are being undertaken by the Ministry of Agriculture through Mini-Missions I and II, respectively. Ministry of Textiles is the Nodal Agency for Mini-Missions III & IV of TMC. **Mini Mission III** relates to improvement in marketing infrastructure and includes the revival of dormant market yards, improvement in existing market yards and setting up of new market yards.

Progress

The **initial target for MM-III** was to develop 111 market yards (51 in the IXth Five Year Plan and 60 in the Xth Five Year Plan). This was increased to 250 in June, 2005. As on January, 2008, development of 246 market yards has been sanctioned and 125 market yards were completed at an estimated project cost of Rs. 485.14 crores of which Government of India (GOI) share is Rs.249.65 crores.

The **initial target of MM- IV** was to modernize 500 Ginning & Pressing (G&P) factories (150 in IXth Five Year Plan and 350 in Xth Five Year Plan). It was increased to 1,000 G & P factories in June 2005. As on January 2008, against the total target, 948 projects have already been approved and modernization of 664 G&P Units were completed at an estimated project cost of Rs.1351.84 crores of which GOI share is Rs. 215.83 crores.

The Scheme completed its tenure on March 31, 2007. However, in terms of target and completion of the projects, the MM-III and MM-IV of TMC has been extended for two years i.e. upto March 31, 2009.

MAN-MADE FIBRE AND FILAMENT YARN INDUSTRY

The industry comprises fibre and filament yarn manufacturing units of cellulosic and non-cellulosic origin. The cellulosic fibre/yarn industry is under the administrative control of the Ministry of Textiles, while the non-cellulosic industry is under the control of Ministry of Chemicals and Fertilizers (Department of Chemicals and Petro-Chemicals).

The production of man-made fibre during 2007-08 shows an increasing trend as compared to the corresponding period of 2006-07. The total man made fibre production increased by 9.5%, a compare to the corresponding period of the previous year. The total man-made fibre production is expected to increase by about 10% during 2006-07, as compared to 2005-06. The production of Viscose Staple Fibre & Acrylic Staple Fibre is expected to decrease by 10% and 3%, respectively, during 2007-08. The production of Polypropylene Staple Fibre and Polyester Staple Fibre is expected to increase by 11% and 10%.

The total production of man-made filament yarn increased by 9.5%, during April-December 2007, as compared to corresponding period of the previous year. The production of Nylon Filament Yarn and Viscose Filament Yarn is also expected to increase during 2007-08. The production of Polypropylene Filament Yarn and Polyester Filament Yarn is expected to increase by about 10% during 2007-08.

The installed capacity and details of production of man-made fibre and filament yarn are given Table 5.5



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Table 5.5
INSTALLED CAPACITY AND PRODUCTION OF MAN-MADE STAPLE
FIBRE / FILAMENT YARN

Type	No. of Units	Installed Capacity (tpa) (as on 31.03.07)	2005-06	Production (Mn. Kg.)		
				2006-07 (E)	2007-08 (P)	2008-09 (P)
STAPLE FIBRE						
Viscose	3	328.8	229	230	242	254
Polyester	17	1294.6	628	754	829	912
PP	4	9.7	3	1	2	2
Acrylic	7	162.9	108	131	144	159
TOTAL	31	1796	968	1117	1217	1327
FILAMENT						
Nylon	7	654.4	37	38	40	42
Polyester	43	2164.14	1076	1225	1348	1482
PP	17	116.2	14	15	16	17
Viscose	7	80.1	53	53	54	55
TOTAL	74	3014.84	1179	1331	1458	1596

E - Estimated

P - Provisional



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