

## COTTON SECTOR

### 1. COTTON

1.1 Cotton is one of the most important cash crops and accounts for around 25% of the total global fibre production. Cotton is also one of the most important commercial crops cultivated in India. In the raw material consumption basket of the Indian textile industry, the proportion of cotton is around 59%. It plays a major role in sustaining the livelihood of an estimated 5.8 million cotton farmers and 40- 50 million people engaged in related activities such as cotton processing and trade. India also has the distinction of having the largest area under cotton cultivation in the world i.e. about 11 million hectares.

1.2 **Production & Consumption:** India is the country to grow all four species of cultivated cotton *Gossypium arboreum* and *herbaceum* (Asian cotton), *G. barbadense* (Egyptian cotton) and *G. hirsutum* (American Upland cotton). *Gossypium hirsutum* represents 88% of the hybrid cotton production in India and all the current Bt cotton hybrids are *G. hirsutum*. In India, majority of the cotton production comes from nine major cotton growing states, which are grouped into three diverse agro-ecological zones, Northern zone comprising States of Punjab, Haryana and Rajasthan, Central zone comprising the States of Gujarat, Maharashtra and Madhya Pradesh and Southern zone comprising the States of Telangana, Andhra Pradesh and Karnataka. Besides this, cotton is also grown in the States of Tamil Nadu and Orissa. Cotton cultivation has also gained momentum in small areas of non-traditional States such as Uttar Pradesh, West Bengal, Tripura, etc. Production and productivity of cotton in India have improved significantly during the past decades. India is the largest producer and 2<sup>nd</sup> largest exporter of cotton in the World. India is also leading consumer of cotton. The details of production and consumption of cotton during the last 5 years is given below:-

(in lakh bales of 170 Kg Each)

Year	Production	Consumption
2011-12	367	375.28
2012-13	370	283.16

2013-14	398	299.55
2014-15	386	309.44
2015-16	338	312.00
2016-17(P)	351	313.00

Source: Cotton Advisory Board

P-Provisional as estimated by Cotton advisory board on 24.10.16

1.3 **Acreage/Productivity:** India got 1<sup>st</sup> place in the world in cotton acreage with around 118.77 lakh hectares are under cotton cultivation i.e. around 39% of the World area of 304 lakh hectares. Approximately 62% of India's Cotton is produced on rain-fed areas and 38% on irrigated lands. In terms of productivity, India ranks poorly compared to USA & China. During 2016-17, India's Productivity is estimated at 568.29 kg/ha. The productivity of cotton for the last 5 years is as follows:-

(in Kg/Hectares)

Year	Acreage	Yield
2011-12	121.78	512.32
2012-13	119.78	525.13
2013-14	119.60	565.72
2014-15	130.83	493.77
2015-16	118.77	483.79
2016-17(P)	105.00	568.29

Source: Cotton Advisory Board

P-Provisional as estimated by Cotton advisory board on 24.10.16

1.4 **Import/Export:** Presently, Cotton is a freely exportable commodity from India. India exports Cotton mainly to Bangladesh, China, Vietnam, Pakistan, Indonesia, Taiwan, Thailand etc. Even though China was the largest importer of Indian cotton fibre till 2013-14, it became the second largest importer of Indian Cotton fibre in 2014-15, with Bangladesh becoming the largest importer of Indian cotton. Although India is a major producer and exporter of cotton fibre, a small quantity of long fibre variety of cotton which is not available in the country, is imported. The following tables gives the import and export figures for the last 5 years:-

(in lakh bales of 170 Kg each)

Year	Import	Export
2011-12	7.51	129.57
2012-13	14.59	101.43
2013-14	11.51	116.96
2014-15	14.39	57.72
2015-16	20.00	69.00
2016-17(P)	17.00	50.00

Source: Cotton Advisory Board

P-Provisional as estimated by Cotton advisory board on 24.10.16

1.5 **Balance Sheet of cotton:** transaction for the cotton season 2013-14, 2014-15 and 2015-16 (Anticipated) is given below:-

(in lakh bales of 170 Kg each)

Item	2013-14	2014-15	2015-16	2016-17(P)*
<b>SUPPLY</b>				
Opening stock	40.00	33.00	66.00	43.00
Crop size	398.00	386.00	338.00	351.00
Imports	11.51	14.39	20.00	17.00
<b>Total Supply</b>	<b>449.51</b>	<b>433.39</b>	<b>424.00</b>	<b>411.00</b>
<b>DEMAND</b>				
Mill consumption	268.03	278.06	272.00	275.00
SSI consumption	25.20	26.28	27.00	28.00
Non-textile consumption	6.32	5.00	11.00	10.00
<b>Total consumption</b>	<b>299.55</b>	<b>309.44</b>	<b>312.00</b>	<b>313.00</b>
Exports	116.96	57.72	69.00	50.00
<b>Total Demand</b>	<b>416.51</b>	<b>367.16</b>	<b>381.00</b>	<b>363.00</b>
<b>Closing Stock</b>	<b>33.00</b>	<b>66.23</b>	<b>43.00</b>	<b>48.00</b>

Source: Cotton Advisory Board

P-Provisional as estimated by Cotton advisory board on 24.10.16

## 2. MINIMUM SUPPORT PRICE (MSP) OPERATION

2.1 Cotton Corporation of India(CCI) has been nominated by the Government of India for undertaking MSP operations in the event when prices of seed cotton (kapas) touch MSP level, for procuring entire quantity of kapas offered by the cotton farmers in various APMC market yards at MSP rates without any quantitative limit.

2.2 Every year before the commencement of the Cotton Season (Oct. to Sept.), the Ministry of Agriculture based on the recommendations of Advisory Board viz., Commission for Agricultural Costs and Prices (CACP) fixes the MSP with a view to give incentives to the Cotton farmers of the country. Accordingly, taking into consideration of the recommendation of CACP the Ministry of Agriculture had proposed to fix MSP for two basic varieties of cotton viz. Medium Staple length cotton having staple length of 24.5 mm to 25.5 mm with micronaire value of 4.3 to 5.1 and long staple length having staple length of 29.5 to 30.5 mm with micronaire of 3.5 to 4.3 of new crop of seed cotton (kapas) of Fair Average Quality (FAQ) for cotton season 2015-16. The support price for medium staple length cotton has been fixed at Rs. 3860/- per quintal and for long staple at Rs. 4160/- per quintal for the cotton season 2016-17.

2.3 The MSP fixed by Ministry of Agriculture for the last ten years is given below:-

(Rs. per quintal)

<b>Year</b>	<b>Medium Staple (Staple Length to 25.5 mm with micronaire value 4.3 to 5.1)</b>	<b>Long Staple (Staple Length 29.5 to 30.5 mm with micronaire value 3.5 to 4.3)</b>
2007-08	1800	2030
2008-09	2500	3000
2009-10	2500	3000
2010-11	2500	3000
2011-12	2800	3300
2012-13	3600	3900
2013-14	3700	4000

2014-15	3750	4050
2015-16	3800	4100
2016-17	3860	4160

2.4 Based on the Support Price of these two basic varieties of Seed cotton (Kapas) and taking into account the quality differential, normal price differential and other relevant factors, the MSP for other classes of Seed cotton (Kapas) of Fair Average Quality (FAQ) has been fixed by Textile Commissioner. The MSP for other varieties of cotton for Cotton Season 2016-17 (Oct.-Sept.) as fixed by the Textile Commissioner of India is given below:

Sr.No.	Classes of cotton and name of indicative varieties used by the trade	Fibre Quality Parameters		Minimum Support Price (MSP) 2016-17 in Rs/Qntls
		Basic Staple Length (2.5% span length) in mm	Miconnaire value	
<b>Short Staple (20.0 mm &amp; below)</b>				
1	Assam Comilla	--	7.0-8.0	3360
2	Bengal Deshi	--	6.8-7.2	3360
<b>Medium Staple (20.5 mm-24.5 mm)</b>				
3	Jayadhar	21.5-22.5	4.8-5.8	3610
4	V-797/ G.Cot.13/ G.Cot.21	21.5-23.5	4.2-6.0	3660
5	AK/Y-1(Mah&MP)/MCU-7 (TN)/ SVPR-2(TN)/ PCO-2 (AP& Kar)/K-11(TN)	23.5-24.5	3.4-5.5	3710
<b>Medium Long Staple (25.0 mm-27.0 mm)</b>				
6	J-34 (Raj)	24.5-25.5	4.3-5.1	3860
7	LRA-5166/ KC-2 (TN)	26.0-26.5	3.4-4.9	3960
8	F-414/ H-777/ J-34 Hybrid	26.5-27.0	3.8-4.8	4010
<b>Long Staple (27.5 mm-32.0 mm)</b>				

9	F-414/ H-777/ J-34 Hybrid	27.5-28.5	4.0-4.8	4060
10	H-4/ H-6/ MECH/ RCH-2	27.5-28.5	3.5-4.7	4060
11	Sankar-6 /10	27.5-29.0	3.6-4.8	4110
12	Bunny/ Brahma	29.5-30.5	3.5-4.3	4160
<b>Extra Long Staple (32.5 mm &amp; above)</b>				
13	MCU-5 / Surabhi	32.5-33.5	3.2-4.3	4360
14	DCH-32	34.0-36.0	3.0-3.5	4560
15	Suvin	37.0-39.0	3.2-3.6	5360

### **MSP operations during cotton year 2014-15**

2.5 During the Cotton Season 2014-15, CCI along with sub-agent Maharashtra State Cooperative Cotton Growers Marketing Federation Ltd. (MSCCGMFL) procured 92.6 lakh bales of cotton valuing Rs.19214 Crores under MSP operations across the country. All said stock of 92.6 lakh bales have already been sold through e-auction.

### **MSP operations during cotton year 2015-16**

2.6 During the current cotton year 2015-16, special initiatives have been taken for effecting smooth MSP operations for the benefit of farmers, which includes display of MSP rate and quality parameters in each and every market yards for farmers' knowledge; payment to farmers preferably through RTGS only; development of an online Grievance Redressal Mechanism inbuilt in CCI's website; continuous monitoring of MSP procurement through Enterprise Resource Planning (ERP) System; creating a separate page on CCI website having all related details in connection with MSP procurement, etc.

2.7 During the cotton season 2015-16 (October, 2015 to September, 2016), 338 lakh bales have arrived. Out of this, 8.44 lakh bales have been procured by CCI under MSP operations.

## **MSP operations during cotton year 2016-17**

2.8 For the cotton season 2016-17, which has commenced from 1<sup>st</sup> October, 2016, Chief Secretaries of cotton growing states viz., Andhra Pradesh, Telangana, Odisha, Maharashtra, Madhya Pradesh and Gujarat have been sensitized to the issues that need to be addressed by the State Governments for smooth conduct of MSP operations, if required.

2.9 CMD, Cotton Corporation of India has also written letters to the Chief Secretary of Andhra Pradesh, Telangana and Odisha on 6.9.2016 suggesting issues that needs to be addressed by the State Governments for smooth conduct of MSP operations in the coming cotton year 2016-17:-

- Nodal agencies shall conduct MSP purchases only in regular market yards. Therefore, farmers should be informed well in advance that they should bring their kapas only to regulate market yards and not to any other places.
- The procedure for identification of farmers should be made in such a way that only genuine cotton farmers are identified by AMC officials as farmers after due verification of their land revenue records, quantum of their land holding and quantity of seed cotton (kapas) produced by the farmers.
- Farmer-wise register/record should be maintained at AMC office which must invariably include Aadhar Card No., Address and Banking details of the cotton farmers. In case any farmer is bringing his kapas frequently and the same is found more than his capacity to produce as per quantum of their land holding, such matter should be scrutinized carefully with due diligence. It must also be ensured that traders/commission agents are not pooling kapas from the petty farmers and the same are being sold in AMC in farmer's name.
- There is a need to fix a general quantity ceiling limit per farmer which can be sold by him under MSP operations. In case any farmer brings kapas more than the specified general limit, AMC officials should take due care while verifying his

bonafide and capacity/ limit to produce. Therefore, he should be identified as a farmer.

- The State Government may make wide publicity through Print Media, News Papers and Pamphlets that if any farmer wants to sell the kapas under MSP operations, he will have to submit his Aadhar Card details, Bank Account details, IFSC Code etc. well in advance for availing the benefit of MSP rates. In case they do not submit these details, their produce shall not be purchased by Nodal Agencies for MSP operations.
- District level Committees should be formed to review the fair and transparent conduct of MSP operations.

3.0 The all India arrival of cotton during the cotton year 2016-17 (as on 9.3.2017) is 225.21 lakh bales vis-à-vis 234.96 lakh bales during the corresponding period of the last year. The procurement of kapas by Cotton Corporation of India (CCI) during the cotton year 2016-17 under Minimum Support Price (MSP) is 'Nil', as market price are ruling above MSP. In the absence of MSP Operations, CCI would undertake Commercial Operations (CP) by procuring raw cotton from farmers in various Agriculture Produce Market Committee (APMC) and get it processed in various Ginning & Pressing factories. As on 9.3.2017, CCI procured 58335 bales of raw cotton under Commercial purchase to cater the needs of regular customers.

### **3. PROCUREMENT OF RAW COTTON UNDER COMMERCIAL OPERATIONS IN ABSENCE OF MSP OPERATIONS**

3.1 For active participation by MSME units in e-auction process, CCI has relaxed some of the sales terms and conditions particularly lower deposits by MSME units and uniform free period of 45 days for all the buyers irrespective of the quantity purchased by them.

#### 4. PRICE OF COTTON

4.1 In the beginning of cotton season 2015-16 (1st October, 2015 to 30th September, 2016) i.e. in the month of October up to December 2015, the domestic cotton prices (S-6 variety) were moving in the range of Rs. 32,000/- to Rs. 34,000/- per candy. Thereafter, due to subdued demand from mills, domestic cotton prices eased to the level of Rs.32,500/- per candy. From Mid of April cotton prices started improving. The domestic cotton prices which was ruling at the level of Rs. 32500/- per candy in the month of March, improved to the extent of Rs. 36,800 per candy in the month of April 2016. In the month of June 2016, domestic cotton prices increased to Rs. 42,700 per candy and up to mid of July 2016 it touched the highest level of Rs. 48,500 per candy.

4.2 Generally, in lean season an upward increase in prices shows profit booking by traders/MNCs. Besides this, lower production in comparison to previous year and delay in monsoon coupled with decrease in area under cotton by 8 to 9% for ensuing cotton season were also the factor behind panic buying by the Mills to cover their lean season requirements and good quality cotton from the market.

4.3 Thereafter, with the decision of the Govt. of India Ministry of Textiles on 15<sup>th</sup> July 2016 to sell the balance stock of CCI to MSMEs Units, the cotton prices started getting easy and reduced by around Rs. 3,600/- to 5,500/- per candy which resulted in reducing the panic situation created from recent volatility in cotton prices. Domestic price and International price with four years retrospect is as under:

	Domestic Price				International Price			
	Average Lint Prices (Rs./ Candy)				Average Cotlook A (US C/Lb)			
Year	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept
<b>2011-12</b>	37105	35356	33654	36648	103.60	100.45	90.36	104.99
<b>2012-13</b>	33600	35688	38598	45398	82.14	89.89	92.83	87.06
<b>2013-14</b>	41338	42165	42049	39912	87.16	93.97	92.62	90.34

<b>2014-15</b>	33133	30928	34206	34319	68.75	68.88	72.28	73.23
<b>2015-16</b>	32460	33275	36054	45323	69.97	66.99	71.25	79.47

4.4 The trend shows that lint cotton prices are at higher level in the 4<sup>th</sup> Quarter up to 31<sup>st</sup> August 2016 in comparison to previous quarters. In this regards, it is to be stated that during cotton season 2015-16, from May to mid of July 2016, there was unprecedented volatility in cotton prices due to panic buying by the Mills to cover their lean season requirements and good quality cotton from the market, lower production in comparison to previous year and delay in monsoon coupled with decrease in area under cotton by 8 to 9% for ensuing cotton season, profit booking by traders/MNCs with hoax for shortage of cotton in the Country etc.

4.5 Secretary, Ministry of Textiles has been regularly reviewing the situation for appropriate interventions.

## **5. Promotion of Natural Coloured Cotton**

5.1 Ministry of Textiles made presentation before Hon'ble Prime Minister on 27<sup>th</sup> June, 2014. One of the action points that emerged during the discussion was promoting colour cotton wherein, it was directed that Ministry of Textiles will examine the possibilities for colour cotton and work in a coordinated manner on this issue.

5.2 The seed cotton yield of the colour-cotton is reportedly more or less at par with the traditional varieties of white cotton in India. Though the fibre is shorter and weaker, it has great softer feel and is used for producing textiles for specific markets. There are major deficiencies in the colour cotton varieties viz. Short Staple length, Lower fibre Strength resulting into poor machine spinnability, colour shades presently restricted to Brown and Green only. As such Colour-Cotton can not be spun/weaved on machine. This restricts the development of Naturally Coloured Cotton. Therefore, the development of Naturally Coloured Cotton entirely depends on development of colour cotton varieties of better fibre properties. At present the coloured Cotton fabrics are made largely blended with white Cotton fibre due to its weaker fibre properties and as such pure colour cotton fabrics are fewer in use. There appears a need for development

of new varieties/hybrids suiting the industrial demand for long stapled naturally coloured cotton besides creating new colour mosaic of existing Naturally Coloured Cotton.

5.3 Currently, Naturally Coloured Cotton is cultivated in a smaller scale in Dharwad region of Karnataka, Coimbatore region of Tamil Nadu, Vidharbha region of Maharashtra and Guntur region of Andhra Pradesh under the patronage of Research Institution in the areas. The estimated total area under Naturally Coloured Cotton is around 200 acres. The total production of Naturally Coloured Cotton lint from these areas together is approximately 330 quintal. The lint thus produced at Dharwad is processed by converting into roving at the Chitradurga KVIC Sliver plant and the roving is distributed amongst different societies for hand spinning and weaving on Handlooms, as also for knitting. It is noteworthy to state that the products made out of Naturally Coloured Cotton do not undergo any chemical dyeing process. Hence it is eco-friendly and sustainable. The product profile consists of Hand Made Towels, Saris, Salwar Suits, Shirts, Denim, etc. at present. The limited production and lack of visibility has led to lack of product innovation and market expansion.

5.4 In order to promote colour cotton, the State Government of Karnataka, Maharashtra, Tamilnadu and Andhra Pradesh have been specifically requested to cultivate colour cotton and extend required support from the research institution and Khadi & Village Industries Board for processing and marketing of the products for giving a remunerative price to the growers.

**(Updated by Cotton Section on 10.03.2017)**