Weekly Publication of

Cotton Association of India

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2014 • No. 14 • 1st July, 2014 Published every Tuesday

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Raw Cotton or Textile Export?

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The views expressed in this column are his own and not that of Cotton Association of India)

EXPERT's Column

Dr K.R. Kranthi

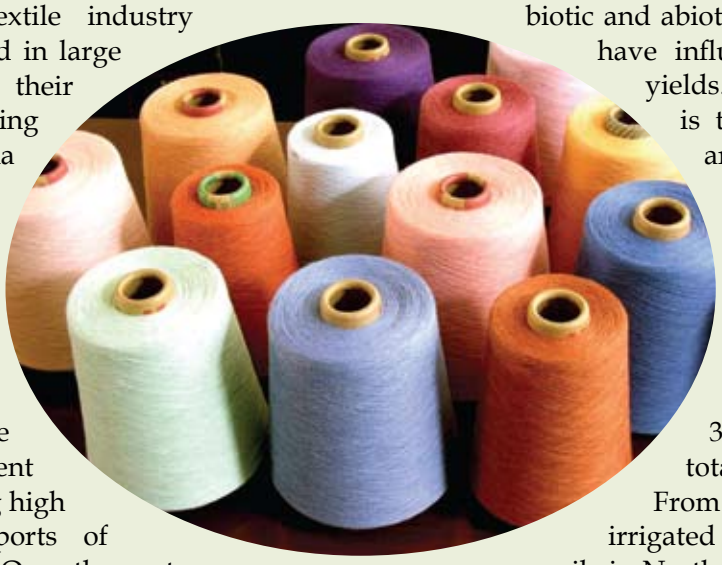
Last week I was in Bangladesh to attend the 6th Meeting of the Asian Cotton Research & Development Network in Dhaka from June 18 – 20. There were several interesting aspects about cotton in Bangladesh. One of the intriguing aspects is that though India has 500% to 600% more capacity than Bangladesh in the spinning and textile industry, our garment export earnings were about 25% less than Bangladesh in 2013. In my discussion with fellow researchers of Bangladesh, I understood that Bangladesh converts Rs. 100 rupee worth raw cotton into at least Rs. 1,000 worth garments using Rs. 500 of manufacturing costs on roving, spinning, weaving, stitching etc., and earns a net profit Rs. 400 by selling or exporting garments. These calculations were at a modest scale and the profits could easily be double depending on the type of garments. Nevertheless, going by the least profit logic, can India convert Rs. 20,000 crores worth raw cotton that it otherwise exports, into Rs. 200,000 crores worth garments and export them to earn a net profit foreign exchange of Rs. 80,000 crores? Isn't China doing so? Here is some data as well as some random thoughts on the subject.

In 2013, Bangladesh produced 26,000 metric tonnes (1.5 lakh bales of 170 kg) from 45,000 hectares. The productivity of 581 kg per hectare is commendable indeed. The textile industry employs 55 lakh persons. The Bangladesh textile industry contributes to 12% of the country's GDP through 40% value addition. Bangladesh imports about 697,000 metric tonnes (41 lakh bales) raw cotton and 270,000 metric tonnes yarn to produce garments. General estimates showed that in 2013 imported raw cotton and yarn together worth about INR Rs. 9000 crores (US $ 1.5 billion) were used to make garments and apparel. The country generally exports 40% of the garments that are produced. In 2013, the country earned Rs. 1,32,000 crores (US $ 22 billion) from garment exports, which accounts for 78% of the total foreign exchange earnings. Interestingly, fabric imports account for Rs. 34,200 crores (US $ 5-6 billion). Over the past seven years, the spinning industry doubled its capacity to 10 million spindles with a 100% spinning capacity for 2 million metres of yarn. During 2013-14, the yarn production is expected to reach 0.72 million tonnes with fabric production at 4 billion metres. Bangladesh has 400 spinning mills, 780 textile mills and 240 dyeing, printing and finishing units.

Interestingly, countries such as Bangladesh and China import sizeable quantity of raw cotton from India to produce yarn and garments, which are imported all across the world including India. India became a leading global exporter of raw cotton with exports averaging at 53 lakh bales over

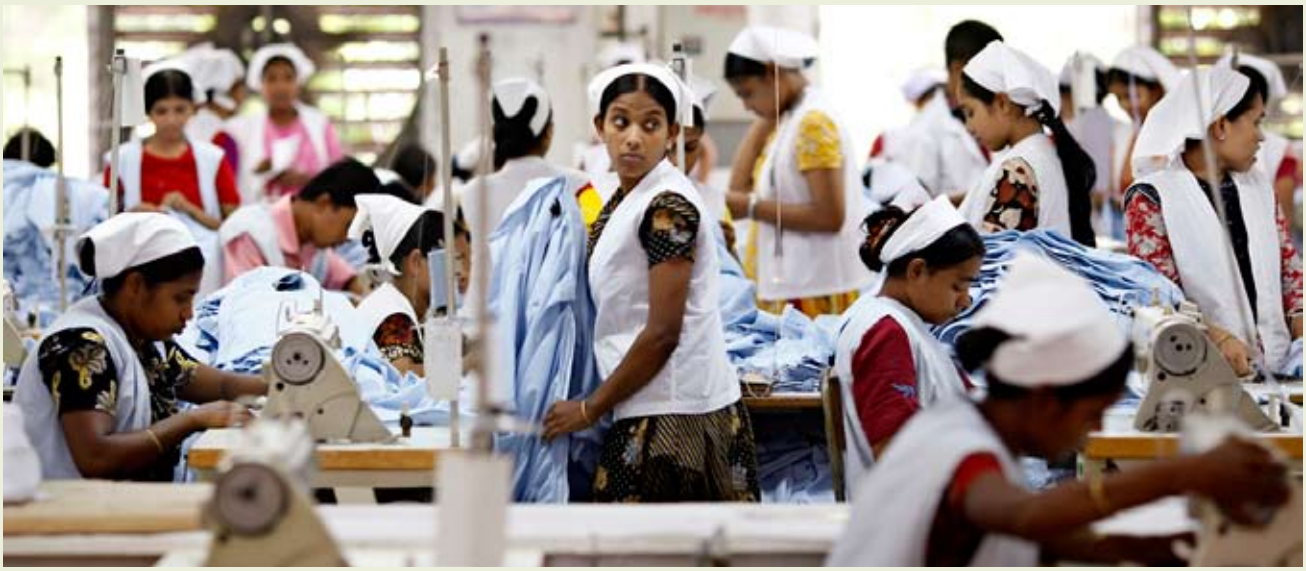
nine years from 2003-2011 compared to an average of 1.2 lakh bales during the five years prior to the introduction of Bt cotton. Indian cotton exports reached an all time high of 128 lakh bales in 2011. Concomitantly, imports declined significantly over the past 12 years. During 2013-14, it is estimated that India exported 111 lakh bales of raw cotton.

However, it is widely acknowledged that exports of value-added-products such as yarn, fabric, garments and apparel can generate more employment and fetch higher revenue. Needless to mention here, it is a widely acknowledged fact that the textile industry provides huge employment opportunities. India has been in the grip of unemployment for quite some time now. Countries such as China and Bangladesh have strengthened their textile industry recently which resulted in large scale employment of their populace. It is interesting that, though China produces more than 425 lakh bales, it is also the world's largest importer of raw fibre apart from being the largest producer of cotton in the world. The emphasis is on textile industry, employment generation and earning high revenue through exports of textiles and garments. Over the past decade, India doubled its production to produce 350 lakh bales per year, but has not strengthened its textile industry in a commensurate manner. Though domestic consumption also increased from 158 lakh bales in 2002, to an estimated 258 lakh bales in 2010, India is yet to gear up to the increasing global textile demands. The Draft National Fibre Policy 2010-20 has projected the consumption of cotton by the textile industry at 413 lakh bales by 2019-20, an increase of 68% over the estimated cotton consumption by the textile industry in recent years. In a paradoxical situation, export of raw fibre from India not only makes the raw material expensive for the domestic textile industry but also helps our neighbouring countries to strengthen their textile export that causes tough competition for India in the global markets. India must gear up to strengthen its textile industry so that the local demand for cotton increases. This will be beneficial for farmers. The country benefits more from yarn and textile exports.



The global cotton production during 2012 was 1480 lakh bales (170 kg/bale). Among the major cotton growing countries, Australia produced 2351 kg lint per hectare, Brazil 1427 kg/ha; China 1403 kg/ha, USA 971 kg/ha, Uzbekistan, 729 kg/ha, Pakistan 697 kg/ha and India 518 kg/ha. India ranks first in terms of cultivated area occupying 32% of the world cotton area followed by China, USA and Pakistan. India doubled its production from a stagnating 152 lakh bales in 2002 to 375 lakh bales in 2013. India ranks second in the world in cotton production after China. Despite the good progress made by public and private sector research and development, it is a matter of concern that Indian cotton productivity has been stagnant at about 500 to 550 kg lint per hectare. Several factors including erratic rainfall and emerging biotic and abiotic stress were found to have influenced the decline in yields. But, a note of concern is that the total irrigated area of 53 lakh hectares of India is equivalent to the total cotton area of China. But, China produced 435 lakh bales from 53 lakh hectares, whereas, India produced only 350 lakh bales from its total 120 lakh hectares. From 17 lakh hectares of irrigated cotton in the best of soils in North India, the productivity is just 550 kg lint per hectare.

For more than 5,000 years at least through documented history, India was an undisputed global leader in cotton production and textile technology. Even now, the country has immense strength of native research in production systems and textile technology. There is an imminent need to consolidate on our original thinking, innovative ideas and strengthen indigenous knowledge. We need to learn from one another. Many cotton researchers hardly know the nuances of textile technology, while many of the textile industry personnel may not know the basic aspects of how the fibre is produced and the role of biotic and abiotic factors that influence fibre quality. We must get guidance from each other to strengthen our initiatives and foster a better bonding that can be mutually beneficial, eventually to ensure a better profit for the farmer and the industry. The mills have been expressing concerns regarding reduced



Exports of value-added-products such as yarn, fabric, garments and apparel can generate more employment and fetch higher revenue.

micronaire, mixtures of fibres with variable quality, high trash content, low ginning out-turn, shortage in short fibre availability and low strength especially of the long staple fibres. The mills have also been looking out for more of medium staple cotton, which is currently in shortage. A decade ago, the mills were demanding long staple fibre with high strength. Before the introduction of Bt cotton hybrids in 2002, long staple cotton constituted 38% of the raw fibre available in the country. By 2010, because of extensive cultivation of the Bt cotton hybrids, the proportion of long staple fibre increased to an estimated 85% of the total cotton produced in 2010. The Confederation of Indian Textile Industries (CITI) estimates that in the 258 lakh bales utilisation capacity, the current requirement of the Indian textile Industry is 37% long and extra-long staple cotton, 53% medium staple and 10% short staple. However, the relative proportion of fibre quality available in the market does not match the current demands. The textile industry needs raw fibre of desired quality at an affordable price. Through focussed research, it is easily possible for the cotton production systems in India to gear up for any challenges to meet the demands of the textile and garments industry.

Technologies are changing with times, textile machinery is changing and consumer preferences are also dynamic. The traits and properties of raw fibre required by the textile industry are also changing from time to time depending on market demands. Research institutions have the capability to develop varieties that can produce fibre with customised specifications. However, there is a need for a strong interface between research institutions and the textile industry so that the researchers understand the current needs and future requirements of the industry and also the textile industry gets a hold on the status of varieties available that may suit their precise needs. More importantly, working in close cooperation can facilitate the development of specific projects that can be formulated periodically based on the changing demands of the industry. Since the development of a new variety takes at least five to six years, it is important for the industry to be able to visualise the future fibre quality requirement and market demands so that scientists can orient some of their projects accordingly and release the varieties in time to catch up with the demand. Additionally, there is also a need to develop contract farming systems or public private partnership projects that can ensure the availability of fibre with desired qualities to the industry, and also ensure good profitability to the farmer.

If the research institutions and textile industry come together for frequent interactions, our mutual needs will be understood better and it may not take long for the country to emerge as a global leader in cotton fibre, yarn and textile production. For instance, research institutes such as CICR (Central Institute for Cotton Research, Nagpur) and CIRCOT (Central Institute for Cotton Technologies, Mumbai) can develop cotton varieties and technologies for high yields and customise fibre traits based on the precise requirements of the textile industry so as to ensure India's supremacy in global markets. Clearly, if India has to emerge as a global leader in cotton production and textile trade, it is imperative that the textile industry and researchers should have frequent interaction and work in close tandem with each other.