USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 5/12/2006

GAIN Report Number: IN6040

India

Cotton and Products

Cotton Annual - India

2006

Approved by:
Chad Russell
U.S. Embassy

Prepared by:
Santosh Kr. Singh

Report Highlights:
India's cotton production in MY (marketing year) 2006/07 is forecast higher at 24.0 million bales (170 kg). India's second highest crop ever, due mainly to expected higher planting. Cotton consumption is forecast to increase to 22.2 million bales on strong demand for textiles and expected low cotton prices. Cotton exports are projected higher at 3.5 million bales, and imports at 500,000 bales, on comfortable domestic supplies.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Table of Contents

SECTION I: SITUATION AND OUTLOOK ... 3
Production ... 3
Consumption ... 3
Trade ... 3
Competition/Marketing ... 4
SECTION II: STATISTICAL TABLES ... 5
Table 1: Commodity, Cotton (Metric tons), PSD ... 5
Table 2: Commodity, Cotton (480 lb bales), PSD ... 6
Table 3: Commodity, ELS Cotton (1-3/8” or 35mm staple length) ... 7
Table 4A: Area, Prdouction & Yield of Cotton in Major States ... 8
Table 4B: Planting Season, Irrigation & Cotton Type by Major Region ... 9
Table 5A: Cotton Consumption by Organized Sector Mills by Months ... 9
Table 5B: Cotton Consumption by Unorganized Sector * by Months ... 10
Table 6: Month-End Prices of Popular Varieties ... 11
Table 7: India’s Monthly Import of Raw Cotton ... 12
Table 8: Commodity, Cotton Import Trade Matrix ... 13
Table 11: Production of Spun Yarn ... 16
Table 12: Count Groupwise Cotton, Blended and Non-Cotton Spun Yarn ... 17
Table 13: Production of Manmade Fiber ... 18
Table 14: Production of Manmade Filament Yarn ... 19
Table 15: Production of Fabric ... 20
Table 16: Consumption of Major Fibers/Yarns by the Textile Industry ... 21
Table 17: Prices of Raw Cotton and Other Fibers ... 22
Table 18: Per Capita Availability of Cloth in India ... 23
Table 19: India’s Exports of Textile Items ... 24
Table 20: Exports of Ready-made Garments from India ... 25
Table 21: Commodity, Export Trade Matrix, Cotton Yarn ... 26
Table 22: Export Trade Matrix, Cotton Fabrics ... 27
Table 23: Export Trade Matrix, Cotton Madeups ... 28
Table 24: Existing Import Policy & Tariffs/Duties for Cotton/Cotton Textiles ... 29
SECTION III: NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING ... 31
Production ... 31
ELS Cotton ... 31
Status of *Bt cotton* ... 32
Production Policy ... 33
Consumption ... 33
Trade ... 34
Trade Policy ... 34
Marketing ... 34

SECTION I: SITUATION AND OUTLOOK

Note: All data in narrative are in 170 kg Indian bales, unless noted otherwise.

Production

Assuming a normal 2006 monsoon, MY 2006/07 production is forecast to rise slightly to 24.0 million bales (including 1.2 million bales of loose cotton) on expected higher planting. If achieved, this will be India's fourth consecutive bumper crop, and just below the record MY 2004/05 crop of 24.3 million bales. Cotton planting is forecast to increase to 9.0 million hectares on strong cotton prices (Table 6) and good yields during the current (MY 2005/06) season (Table 4A). Production of extra long staple (ELS) cotton is forecast to rebound to 200,000 bales on expected higher planting of DCH 32 (the local ELS variety), due to record high prices in the current season.

Bt cotton planting in MY 2006/07 is expected to jump nearly threefold to 4.2 million hectares, thereby accounting for almost half of the expected cotton area (see Section III). Recently, the government of India (GOI) approved 20 new Bt varieties for commercial cultivation. The new approvals include two varieties that include a Bt gene developed by a local university and two varieties with a Bt gene sourced from China. The other varieties have the Bt (Cry1Ac) gene developed by Monsanto that was approved in MY 2002/03.

The cotton textile production in Indian fiscal year (IFY) 2005/06 (Tables 10, 11, and 15) witnessed strong growth that was fueled by abundant cotton supplies and strong domestic and export demand. Production in IFY 2006/07 is forecast to grow by 8 to 10 percent on the expected bumper cotton production and the continued growth in demand.

Consumption

Cotton consumption in MY 2006/07 is likely to benefit from the expected sufficient supplies, continued strong domestic and export demand for textiles, and relatively lower cotton prices vis-à-vis man-made fiber (MMF). Consequently, MY 2006/07 consumption is forecast to rise by 8 percent to 22.2 million bales (mills 18.5 million bales, small spinning units 1.9 million bales, and non-mill 1.8 million bales). Prices are expected to rule steady in MY 2006/07 on large carryover stocks and expected near-record production. However, international cotton price movements could temper domestic prices.

Cotton's share in the textile industry's total fiber use (Table 16) rose over the last two years on comfortable domestic supplies (three consecutive bumper crops) and a favorable relative price of cotton vis-à-vis MMF (Table 17). Cotton's share in total fiber use is expected to grow further to 59 percent in MY 2006/07, as prices move in favor of cotton vis-à-vis MMF (affected by high petroleum prices).

Trade

India emerged as a significant exporter of cotton in MY 2005/06. With large carryover stocks and expected higher production, cotton exports in MY 2006/07 are forecast to increase to 3.5 million tons, assuming the current parity of local cotton prices vis-à-vis international prices holds. MY 2006/07 imports are forecast at 500,000 bales, consisting largely of ELS and longer staple specialty cotton. However, the relative price movements of local cotton vis-à-vis world cotton during the upcoming season may temper these forecast trade volumes.

Post raised MY 2005/06 exports to 3.2 million bales and lowered imports to 500,000 bales, based on the latest official trade statistics (Tables 7 to 9) and information from trade sources.

In addition to the large carryover stocks and near record production, firm international prices during most of MY 2005/06 helped export prospects.

Based on official data for the first six months of the fiscal year, cotton textile exports for IFY 2005/06 are estimated to increase by about 14 percent over the IFY 2004/05 level of $3.4 billion (Tables 19 to 23). Exports of readymade garments (mostly cotton-based) are expected to grow 34 percent over the IFY 2004/05 exports of $6.2 billion (Table 20). India's competitiveness in the post-Multi Fiber Agreement (MFA) quota system will likely fuel double-digit growth in cotton textile exports, which should allow it to capture an increasing share of the global textile trade over the next few years.

Competition/Marketing

India will be in the export market for the next 2-5 years, until domestic consumption catches up with the recent production surge. Most exports will be of medium-to-long staple cotton (25 to 32 mm length) to neighboring countries, China, and various Far East destinations. Traditionally, Indian cotton used to be discounted by five to six percent vis-à-vis comparable international cotton because of lower quality (higher trash, lower consistency, etc). But in the last two years buyers of Indian cotton have expressed satisfaction with the quality, and now offer competitive prices.

India will continue to import mostly ELS and quality long staple cotton (28-34 mm), with occasional imports of medium staple cotton when international prices are favorable. The United States has emerged as the leading supplier of cotton to India over the past few years. Indian mills that import US Pima and upland cotton are appreciative of its quality and consistency, and this impression has been cemented through trade servicing missions by the Cotton Council International and SUPIMA. However, US cotton prices will have to remain competitive to offset the freight advantage and shorter delivery periods enjoyed by neighboring suppliers like Egypt, West Africa, the Commonwealth of Independent States (CIS), and Australia.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (Metric tons), PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		2004		2005		2006	UOM
	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	
Market Year Begin		8/2004		8/2005		8/2006	(MONTH/YEAR)
Area Planted	8920000	8920000	8850000	8826000	0	9010000	(HECTARES)
Area Harvested	8920000	8920000	8850000	8826000	0	9010000	(HECTARES)
Beginning Stocks	911403	911403	1847628	1908304	1934718	1940200	METRIC TONS
Production	4136805	4136805	3984396	3984396	0	4080000	METRIC TONS
Imports	174181	226100	152409	85000	0	85000	METRIC TONS
TOTAL SUPPLY	5222389	5274308	5984433	5977700	1934718	6105200	METRIC TONS
Exports	152409	143650	457226	544000	0	595000	METRIC TONS
USE Dom. Consumption	2988430	2988430	3320488	3221500	0	3468000	METRIC TONS
Loss Dom. Consumption	233922	233924	272001	272000	0	306000	METRIC TONS
TOTAL Dom. Consumption	3222352	3222354	3592489	3493500	0	3774000	METRIC TONS
Ending Stocks	1847628	1908304	1934718	1940200	0	1736200	METRIC TONS
TOTAL DISTRIBUTION	5222389	5274308	5984433	5977700	1934718	6105200	METRIC TONS

Note: Production figures for MY 2004, 2005, and 2006 include 1.2 million bales (170 kg) of loose cotton.

Table 2: Commodity, Cotton (480 lb bales), PSD

PSD Table							
Country:	India				Conversion	0.004592917	
Commodity:	Cotton						
		2004		2005		2006	UOM
	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	
Market Year Begin		8/2004		8/2005		8/2006	(MONTH/YEAR)
Area Planted	8920000	8920000	8850000	8826000	0	9010000	(HECTARES)
Area Harvested	8920000	8920000	8850000	8826000	0	9010000	(HECTARES)
Beginning Stocks	4186	4186	8486	8765	8886	8911	1,000 480lb bales
Production	19000	19000	18300	18300	0	18739	1,000 480lb bales
Imports	800	1038	700	390	0	390	1,000 480lb bales
TOTAL SUPPLY	23986	24224	27486	27455	8886	28041	1,000 480lb bales
Exports	700	660	2100	2499	0	2733	1,000 480lb bales
USE Dom. Consumption	13726	13726	15251	14796	0	15928	1,000 480lb bales
Loss Dom. Consumption	1074	1074	1249	1249	0	1405	1,000 480lb bales
TOTAL Dom. Consumption	14800	14800	16500	16045	0	17334	1,000 480lb bales
Ending Stocks	8486	8765	8886	8911	0	7974	1,000 480lb bales
TOTAL DISTRIBUTION	23986	24224	27486	27455	8886	28041	1,000 480lb bales

Note: Production figures for MY 2004, 2005, and 2006 include 1.2 million bales (170 kg) of loose cotton.

Table 3: Commodity, ELS Cotton (1-3/8" or 35mm staple length)

Units : Metric Tons	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	(Final)	(Final)	(Final)	(Final)	(Revised)	(Forecast)
Beginning Stocks	12114	9564	2764	1064	14664	7864
Production	53550	30600	28900	34000	30600	34000
Imports	25500	42500	37400	59500	51000	54400
Total Supply	91164	82664	69064	94564	96264	96264
Exports	0	0	0	0	0	0
Domestic Consumption	81600	79900	68000	79900	88400	93500
Ending Stocks	9564	2764	1064	14664	7864	2764
Total Distribution	91164	82664	69064	94564	96264	96264
Units : Thousand 480 lbs bales	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**
	(Final)	(Final)	(Final)	(Final)	(Revised)	(Forecast)
Beginning Stocks	55641	43928	12696	4888	67353	36120
Production	245955	140546	132738	156162	140546	156162
Imports	117122	195203	171778	273284	234243	249859
Total Supply	418717	379677	317212	434333	442141	442141
Exports	0	0	0	0	0	0
Domestic Consumption	374789	366981	312324	366981	406021	429446
Ending Stocks	43928	12696	4888	67353	36120	12696
Total Distribution	418717	379677	317212	434333	442141	442141

Source:
1. MY 2001/02 and 2002/03 production figures as reported by the East India Cotton Association (EICA).
2. Other estimates derived based on information from trade sources.

Table 4A: Area, Production & Yield of Cotton in Major States
(Area 000 ha; Production 000 bales of 170 kgs, Yield kgs/ha)

							Final	Revised	Projected
STATE		1999/ 2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Maharashtra	Area	3254	3077	2980	2800	2766	2980	2890	2750
	Production	3650	2050	3425	2600	3100	5200	3600	3800
	Yield	191	113	195	158	191	297	212	235
Gujarat	Area	1516	1615	1687	1634	1647	1906	2080	2100
	Production	2850	2400	3250	3050	5000	7300	8500	8200
	Yield	320	253	328	317	516	651	695	664
Madhya Pradesh	Area	525	506	623	545	591	576	635	630
	Production	1550	1750	2000	1800	1965	1600	1800	1700
	Yield	502	588	546	561	565	472	482	459
Punjab	Area	475	474	600	449	452	509	580	600
	Production	800	900	925	750	1035	1650	2000	2000
	Yield	286	323	262	284	389	551	586	567
Haryana	Area	546	555	610	519	526	621	597	620
	Production	1050	1000	550	875	1150	1550	1250	1400
	Yield	327	306	153	287	372	424	356	384
Rajasthan	Area	583	510	347	386	344	438	454	500
	Production	1300	1050	700	500	915	1100	950	1200
	Yield	379	350	343	220	452	427	356	408
Andhra Pradesh	Area	1040	1022	1002	803	837	1174	975	1050
	Production	2200	2500	2675	1975	2740	3250	3000	3100
	Yield	360	416	454	418	557	471	523	502
Karnataka	Area	600	560	591	393	313	512	365	500
	Production	800	800	700	500	420	800	600	750
	Yield	227	243	201	216	228	266	279	255
Tamil Nadu	Area	185	193	200	85	103	142	150	160
	Production	550	550	500	300	375	550	500	550
	Yield	505	484	425	600	619	658	567	584
Others	Area	67	64	90	53	51	62	100	100
	Production	150	100	75	100	100	100	100	100
	Yield	381	266	142	321	333	274	170	170
All-India	Area	8791	8576	8730	7667	7630	8920	8826	9010
	Production	14900	13100	14800	12450	16800	23100	22300	22800
	Yield	288	260	288	276	374	440	430	430

Note: Production figures for MY 1999/2000 to MY 2006/07 in the PS&D include loose cotton estimates.

Table 4B: Planting Season, Irrigation & Cotton Type by Major Region

REGION	STATES	COTTON GROWN	PLANTING SEASON & IRRIGATION STATUS
North	Punjab, Haryana, Rajasthan	Medium & Short Staple	End April-May/ Largely Irrigated
Central	Gujarat, Maharashtra, Madhya Pradesh	Medium & Long Staple	Mid June-July (after onset of monsoon)/Largely rainfed
South/1	Andhra Pradesh, Karnataka, Tamil Nadu	Long & Extra Long Staple	August-September/Largely rainfed

Note:
/1: There is also a small summer cotton crop planted in January-February in Tamil Nadu.

Table 5A: Cotton Consumption by Organized Sector Mills by Months
(100,000 bales of 170 kg each)

Month\Year	2003/04	2004/05	2005/06
Aug	11.31	12.86	15.73
Sept	11.07	12.49	13.70
Oct	10.92	12.97	13.96
Nov	11.90	12.49	**11.90**
Dec	12.97	13.83	**13.75**
Jan	12.95	13.16	**13.69**
Feb	12.44	12.77	
Mar	13.04	13.75	
Apr	12.52	13.60	
May	12.75	14.05	
Jun	12.61	13.89	
Jul	12.94	14.04	
TOTAL	147.42	159.90	82.73

Note: Figures in bold are provisional estimates.

Source: The Textile Commissioner’s Office, Government of India (GOI).

Table 5B: Cotton Consumption by Unorganized Sector* by Months
(100,000 bales of 170 kg each)

Month\Year	2003/04	2004/05	2005/06
Aug	1.06	1.18	1.56
Sept	1.06	1.19	1.49
Oct	0.95	1.23	1.47
Nov	1.00	1.23	**1.00**
Dec	1.07	1.36	**1.42**
Jan	1.03	1.30	**1.45**
Feb	1.05	1.26	
Mar	1.10	1.42	
Apr	1.08	1.38	
May	1.08	1.40	
Jun	1.10	1.38	
Jul	1.16	1.56	
TOTAL	13.50	15.89	8.39

Note: Figure in bold are provisional estimates.
* - Small scale spinning units

Source: The Textile Commissioner’s Office, GOI.

Table 6: Month-End Prices of Popular Varieties
(Rupees per ton)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2004/05						
Aug	48930	60180	61870	65520	71430	85790
Sept	41340	48930	53990	55680	64680	84360
Oct	40770	43590	48930	49770	59050	81550
Nov	37120	38520	43870	46680	54840	80430
Dec	35430	39930	43590	46120	54270	80700
Jan	34870	39370	42180	44710	54550	80140
Feb	33460	39930	41340	45270	53990	84360
Mar	34030	41340	43870	46960	56800	88580
Apr	35710	41900	44150	46120	57370	88580
May	37120	43310	44150	46400	57930	88580
June	35990	44150	44430	47240	57930	91390
July	36560	44150	44710	47810	57090	89990
Avg Price	37611	43775	46423	49023	58328	85371
2005/06						
Aug	35150	43030	43870	46680	56240	89430
Sep	35150	41620	44430	50620	53990	88580
Oct	36840	41900	46400	48650	53990	88580
Nov	40490	42740	47520	48930	57930	109670
Dec	39370	44150	47810	50620	63270	126540
Jan	37400	42460	47520	51180	62990	122330
Feb	36560	42740	46680	51180	62990	112490
Mar	35430	42460	46960	51180	61860	116700
Apr	39090	46400	47800	51740	61860	118100
May 4	38810	46120	46960	51180	61860	118100
Avg Price	37429	43362	46595	50196	59698	109052

Source: East India Cotton Association (EICA), Mumbai.

Table 7: India's Monthly Import of Raw Cotton
(Figures in 100,000 bales of 170 kg each)

	2001/02	2002/03	2003/04	2004/05	2005/06
August	4.01	1.38	1.94	0.46	0.33
September	3.93	1.24	2.77	1.42	0.43
October	3.64	1.83	1.64	2.36	0.27
November	3.26	1.28	0.73	1.53	0.41
December	3.46	0.86	0.57	0.62	0.98
January	2.53	0.86	0.49	0.79	0.29
February	2.6	1.03	0.46	1.04	
March	1.15	1.04	0.28	0.96	
April	1.38	0.84	0.19	2.4	
May	0.93	1.31	0.33	0.75	
June	1.67	1.72	0.27	0.53	
July	2.02	2.19	0.37	0.44	
Total	30.58	15.58	10.04	13.3	2.71

Note: Import figures compiled from the end-user cotton textile mills.

Source: The Textile Commissioner's Office, GOI.

Table 8: Commodity, Cotton Import Trade Matrix

Import Trade Matrix					
Country:	India	Units:	Metric Tons		
Commodity:	Cotton				
Time period:	Aug-Jul				(Aug-Dec)
Imports for	**2003**		**2004**		**2005**
U.S.	62,397	U.S.	52,210	U.S.	6,165
Others		Others		Others	
Egypt A Rep	17,711	Egypt A Rep	36,086	Egypt A Rep	6,966
Mali	14,280	Tanzania	27,250	Bangladesh	5,467
Greece	10,275	Brazil	10,234	Sudan	4,296
Sudan	8,297	Mali	9,969	Turkmenistan	4,003
Benin	6,749	Turkmenistan	9,002	Tanzania	2,394
Ivory Coast	6,001	Benin	8,807	Israel	1,841
Tanzania	5,993	Uzbekistan	7,093	Brazil	1,816
Cameroon	5,036	Burkino FASO	6,791	Indonesia	1,093
Turkmenistan	3,689	Sudan	5,555	Ivory Coast	1,054
Uzbekistan	3,356	Cameroon	5,470	Uzbekistan	845
Total for Others	81,387		126,257		29,775
Others not listed	26,896		47,633		5,200
Grand Total	170,680		226,100		41,140

Note: MY 2005 data are August to December 2005.

Source: 1. Directorate General of Commercial Intelligence & Statistics (DGCIS), GOI.
2. The Textile Commissioners Office, GOI.

Table 9: Commodity, Cotton*, Export Trade Matrix

Export Trade Matrix					
Country:	India	Units:	Metric Tons		
Commodity:	Cotton				
Time period:	Aug-Jul				(Aug-Dec)
Exports for	**2003**		**2004**		**2005**
U.S.	1082	U.S.	60	U.S.	14
Others		Others		Others	
Pakistan	46,112	China Rep	61,092	China Rep.	116,163
China Rep	34,624	Chinese Taipei	19,992	Pakistan	21,245
Bangladesh	34,116	Bangladesh	15,149	Bangladesh	13,472
Chinese Taipei	25,147	Thailand	13,384	Hongkong	10,227
Indonesia	16,354	Pakistan	12,444	Indonesia	9,255
Thailand	12,233	Indonesia	7,263	Chinese Taipei	8,753
Mauritius	10,213	Vietnam	3,694	Vietnam	7,953
Vietnam	3,254	Japan	3,328	Thailand	5,834
Italy	3,126	Mauritius	2,041	Turkey	2,374
Japan	2,959	Nepal	1,890	Nepal	1,572
Total for Others	188,138		140,277		196,848
Others not listed	13,233		5,468		4,309
Grand Total	202,453		145,805		201,171

Notes: MY 2004 data are August to December 2005.
* Includes non-spinnable cotton & cotton waste not included in the PS&D.

Source: 1. Directorate General of Commercial Intelligence & Statistics (DGCIS), GOI.
2. The Textile Commissioners Office, GOI.

Table 10: Growth of the Indian Textile Industry

Item|Year*	1991/92	1995/96	2000/01	2003/04	2004/05	2005/06 (P)
Organised Mills @						
Spinning	846	1294	1565	1564	1566	1570
Composite	271	275	281	223	210	223
Exclusive Weaving	na	172	203	206	204	202
Small Scale Spinning Units	na	750	996	1135	1173	1161
Power Loom Units ('000s)	na	326	374	413	426	430
Spindles (millions)@	27.82	31.75	37.91	37.03	37.46	37.51
Rotors ('000s)@	113	226	454	482	500	520
Looms ('000s)@	169	148	140	105	103	92
Power Loom ('000s) @	na	1365	1662	1837	1903	1934
Hand Loom ('000s) @	na	3891	3891	3891		NA
Spun Yarn Prod (mil kg)						
Cotton Yarn	1450	1894	2267	2121	2272	2480
Other Spun Yarn	356	591	893	931	951	925
Man-made Filament Yarn	na	493	920	1118	1109	1180
Man-made Fiber (mil kg)	342.1	498.4	904.3	953.3	1022.6	964.0
Fabric Production (mil sq m)						
Cotton	14647	18900	19718	18040	20655	23950
Blended	2712	4025	6351	6068	6032	6190
100% non-cotton (inc Khadi/wool/silk)	5229	9033	14187	18275	18691	19450

Notes: * - Refers to Indian fiscal Year April-March.
@ - As at end of the Indian fiscal year (31st March).
NA – not available.
P – provisional estimate.

Source: The Textile Commissioner's Office, GOI.

Table 11: Production of Spun Yarn
(Fiber-wise, million kg).

Year/1	COTTON	BLENDED	100% NON-COTTON	TOTAL
1995	1894	395	196	2485
1996	2148	484	162	2794
1997	2213	583	177	2973
1998	2022	595	191	2808
1999	2204	621	221	3046
2000	2267	646	247	3160
2001	2212	609	280	3101
2002	2177	585	319	3081
2003	2121	589	342	3052
2004	2272	585	366	3223
2005 (P)	2480	575	350	3405

Notes:/1: Year 2005 refers to Indian fiscal year 2005/06 (April-March)
(P): Provisional estimate.

Source: The Textile Commissioner's Office, GOI.

Table 12: Count Groupwise Cotton, Blended and Non-Cotton Spun Yarn
(Fiber-wise, million kg.)

Item	2000	2001	2002	2003	2004	2005(P)
I. Cotton Yarn						
1-10s Count	521	524	459	435	482	544
11-20s	469	439	445	403	435	468
21-30's	479	456	476	493	509	568
31-40's	561	548	533	522	546	554
41-60's	146	147	161	161	175	190
61-80's	52	61	61	64	80	96
80's & above	39	37	42	43	45	60
Total	2267	2212	2177	2121	2272	2480
II. Blended						
Cotton/Viscose	25	24	16	13	12	16
Cotton/Polyester	177	167	150	162	168	160
Cotton with Others	16	12	13	14	21	26
Polyester/Viscose	367	355	359	358	335	318
Polyester with Others	44	38	38	36	42	47
Others	17	13	9	7	7	8
Total	646	609	585	589	585	575
III. 100% Non-Cotton						
Viscose	62	52	74	76	82	74
Polyester	113	156	174	191	206	192
Acrylic	65	63	60	64	59	62
Others	7	9	11	11	19	22
Total	247	280	319	342	366	350

Note: /1: Year 2005 refers to Indian fiscal year 2005/06 (April-March)
(P): Provisional estimate.

Source; The Textile Commissioner's Office, GOI.

Table 13: Production of Manmade Fiber
(million kg.)

Year/1	Viscose	Acrylic	Polyester	Poly-Propylene	TOTAL
1995	194	74	228	1.9	498.4
1996	179	83	325	1.9	588.2
1997	188	79	439	2.0	708.4
1998	178	79	523	1.9	781.7
1999	202	79	551	2.1	835.0
2000	236	99	566	2.3	904.3
2001	185	95	551	2.4	833.9
2002	225	105	582	2.5	914.5
2003	221	117	613	2.7	953.3
2004	248	128	644	2.9	1022.6
2005 (P)	229	109	623	3.0	964.0

Notes: /1: Year 2005 refers to Indian fiscal year 2005/06 (April-March)
(P): Provisional estimate

Source: The Textile Commissioner’s Office, GOI

Table 14: Production of Manmade Filament Yarn
(million kg.)

Year /1	VISCOSE	POLYESTER	NYLON	POLY-PROPLENE	TOTAL
1995	61	376	42	15	494
1996	57	493	38	13	601
1997	57	668	30	14	769
1998	61	745	29	15	850
1999	49	801	26	17	893
2000	55	820	26	19	920
2001	48	866	28	20	962
2002	51	995	30	24	1100
2003	53	1013	31	21	1118
2004	54	1004	35	16	1109
2005 (P)	55	1075	36	14	1180

Notes: /1: Year 2005 refers to Indian fiscal year 2005/06 (April – March)
(P): Provisional estimate

Source: The Textile Commissioner's Office, GOI

Table 15: Production of Fabric
(Fiber-wise, Square meters)

Year/1	COTTON	BLENDED	KHADI/ WOOL/ SILK	100% NON-COTTON	TOTAL
1995	18900	4025	498	8535	31958
1996	19841	4888	540	9569	34838
1997	19992	5751	545	11153	37441
1998	17948	5700	559	11895	36102
1999	18989	5913	575	13725	39202
2000	19718	6351	581	13606	40256
2001	19769	6287	644	15334	42034
2002	19300	5876	662	16135	41973
2003	18040	6068	662	17613	42383
2004	20655	6032	693	17998	45378
2005 (P)	23950	6190	695	18755	49590

Notes: /1: Year 2005 refers to Indian fiscal year 2005/06 (April-March)
(P): Provisional estimate

Source: The Textile Commissioner's Office, GOI

Table 16: Consumption of Major Fibers/Yarns by the Textile Industry
(million kgs.)

Year/1	Cotton	Cotton	Man-made Fibre	Man-made Filament	Total Yarn
	Qty	% Share	Qty	Qty	Qty/2
1995	2295	66.6	557	488	3446
1996	2566	65.6	646	581	3913
1997	2719	62.8	770	722	4337
1998	2485	58.9	783	821	4221
1999	2652	58.6	840	899	4528
2000	2721	58.8	889	878	4630
2001	2701	57.7	863	970	4682
2002	2699	55.6	915	1089	4853
2003	2652	54.2	940	1146	4890
2004	2886	56.0	978	1137	5155
2004 (P)	3130	58.1	920	1180	5385

Notes: /1: Year 2005 refers to Indian fiscal year 2005/06 (April–March)
/2: Total Yarn includes small quantity of other natural yarns like silk, wool etc.
(P): Provisional estimate

Source: The Textile Commissioner's Office, GOI

Table 17: Prices of Raw Cotton and Other Fibers
(rupees/kg)

Period	Raw Cotton Fibre	Viscose Staple Fibre	Polyester Staple Fibre	Acrylic Staple Fibre
	(wtd avg)	(avg)	(avg)	(avg)
March 1989	21.94	33.43	83.28	68.00
March 1990	18.15	38.63	70.40	75.50
March 1991	26.71	44.29	75.31	76.77
March 1992	33.61	51.72	80.13	97.67
March 1993	27.69	58.32	79.73	106.72
March 1994	49.50	59.56	78.50	104.67
March 1995	60.58	76.53	104.55	106.00
March 1996	45.71	83.20	89.05	85.50
March 1997	46.07	79.80	67.56	84.63
March 1998	56.10	80.09	51.30	88.50
March 1999	49.03	78.58	47.95	67.75
March 2000	47.75	78.14	63.34	80.25
March 2001	51.25	86.43	57.43	88.57
March 2002	38.12	80.51	51.51	84.95
March 2003	53.82	84.66	69.25	89.98
March 2004	58.10	87.62	76.22	95.00
March 2005	42.38	91.89	78.95	106.75
March 2006	45.14	90.73	74.35	88.25

Note: Prices are average of weekly prices for the month.

Source: The Textile Commissioner's Office, GOI.

Table 18: Per Capita Availability of Cloth in India
(meters)

Year/1	Cotton	Blended/ Mixed	100% Non-Cotton	Total
1980	12.8	2.2	2.3	17.3
1990	15.1	3.0	6.1	24.1
1995	16.3	3.5	8.2	28.0
1996	16.2	4.0	9.1	29.3
1997	15.9	4.6	10.4	30.9
1998	13.1	4.1	11.0	28.2
1999	14.2	4.5	11.9	30.6
2000	14.2	4.5	12.0	30.7
2001	14.8	4.7	12.5	32.0
2002	14.4	4.4	12.6	31.4
2003	13.4	4.5	13.1	31.0
2004	14.1	4.1	15.3	33.5
2005 (P)	-	-	-	34.5

Notes: /1: Year 2005 refers to Indian fiscal year 2005/06 (April-March)
(P): Provisional estimate; fabric-wise breakup is not available.

Source: The Textile Commissioner's Office, GOI.

Table 19: India's Exports of Textile Items
(million US$)

Item	2001	2002	2003	2004	2005*	2004*
Cotton Textiles (Yarn/Fabric/Madeups)	2,885	3,210	3,504	3,397	2,785	2,453.1
Man-made Textiles (Yarn/Fabric/Madeups)	1,027	1,334	1,609	1,675	1,388	1,419.2
Wool Textiles (Yarn/Fabric/Madeups)	49	50	58	68	62	50.3
Silk Textiles (Yarn/Fabric/Madeups)	261	294	358	377	317	293.3
Other Textiles (Yarn/Fabric/Made-up)	428	442	563	677	na	na
Ready-made Garments (Cotton/MMF/Silk/ Wools/etc)	5,025	5,753	6,260	6,214	5,889	4,394.0
Handicrafts (including carpets)	1,063	1,321	1,088	942	911	738.7
Coir and Coir Products	62	74	78	102	100	75.3
Jute Products (Yarn, Hessain, etc)	129	188	243	271	223	198.4
Total	10,929	12,665	13,761	13,721	11,675	9,622.2

Notes:
Year 2004 refers to Indian fiscal year (IFY) 2004/05 (April/March).
2005* refers to the period of April-December 2005, i.e., first 9 months of IFY 2005/06
2004* refers to the period of April-December 2004, i.e., first 9 months of IFY 2004/05

Source: 1. DGCIS, GOI
2. The Textile Commissioner's Office, GOI.

Table 20: Exports of Ready-made Garments from India
(million US$)

Item	2001	2002	2003	2004	2005*	2004*
Cotton	3678	4456	4752	4707	4392	3289
Man-made	784	742	795	735	742	533
Silk	152	138	124	132	177	128
Wool	238	219	286	344	296	277
Others	173	199	303	297	282	167
TOTAL	5025	5753	6260	6214	5889	4394

Notes:
Year 2004 refers to Indian fiscal year (IFY) 2004/05 (April/March).
2005* refers to the period of April-December 2005, i.e., first 9 months of IFY 2005/06
2004* refers to the period of April-December 2004, i.e., first 9 months of IFY 2004/05

Source: 1. DGCIS, GOI.
2. The Textile Commissioner's Office, GOI.

Table 21: Commodity, Export Trade Matrix, Cotton Yarn
(metric tons)

Country	2001	2002	2003	2004	2005*	2004*
USA	3,543	3,890	2,320	1,700	3,140	670
Others						
E.U.					32,610	25,700
Korea Rp	49,622	75,293	77,148	57,050	31,240	26,580
Bangladesh	48,876	43,423	38,747	55,790	24,760	25,720
Egypt A Rp	12,116	15,419	16,816	20,310	12,860	10,580
China P Rp	23,716	25,374	25,251	21,710	12,640	12,070
Hong Kong	45,304	39,599	41,310	29,940	11,180	16,680
Italy	15,196	20,430	19,009	16,990	10,340	6,960
Israel	11,066	14,400	12,475	10,440	7,600	5,100
Mauritious	28,188	27,434	24,771	21,530	7,330	10,030
Turkey	3,385	7,338	16,488	9,360	6,810	4,930
Sri Lanka	12,028	12,486	10,680	9,260	5,750	4,070
Chinese Taipei	14,324	24,497	14,961	14,200	5,580	6,800
Portugal	6,207	9,373	7,303	8,050	5,410	3,820
Japan	16,660	19,832	15,616	12,370	4,890	6,120
Malaysia	10,484	12,655	8,231	7,530	4,460	4,480
German F Rep	8,110	8,386	7,775	6,610	3,650	2,800
Canada	10,097	8,735	9,874	7,750	3,490	4,040
Spain	7,171	8,607	6,681	6,450	3,100	3,010
U.A.E.	6,478	8,780	8,286	6,910	2,850	3,260
Bahrain Is.	6,645	5,594	5,613	4,900	2,310	2,160
Belgium	5,330	9,363	3,920	5,080	1,880	2,160
Korea Dp Rp	22,874		8,158	0	0	0
Others	100,966	119,210	95,309	84,890	12,070	16,910
Total	433,535	505,161	459,051	408,840	211,760	200,330
Value (in Mn US$)		1,206	1,271	1,145	566	585
Unit value ($/kg)		2.39	2.77	2.80	2.67	2.92

Notes:
Year 2004 refers to Indian fiscal year 2004/05 (April-March).
2005* refers to the period April-Sept, 2005, i.e., first 6 months of IFY 2005/06.
2004* refers to the period April-Sept, 2004, i.e., first 6 months of IFY 2004/05.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI

Table 22: Export Trade Matrix, Cotton Fabrics
(metric tons)

Country	2001	2002	2003	2004	2005*	2004*
USA	30,451	35,750	67,720	53,820	25,660	31,060
Others						
E.U.					53,950	63,520
UAE	10,716	11,470	37,630	46,690	25,560	28,110
Bangladesh	12,651	22,710	56,290	49,010	19,570	27,710
Sri Lanka	8,466	11,650	39,880	34,940	16,030	17,280
Italy	19,539	14,870	29,390	24,610	10,930	13,140
UK	19,561	16,880	31,640	23,020	9,090	13,320
Turkey	6,434	5,300	14,630	16,720	8,030	9,540
Benin	5,081	5,940	26,570	18,130	7,960	11,310
Togo	4,853	7,150	25,520	18,420	7,830	7,160
German F. Rp	7,049	7,650	21,730	15,270	7,040	8,700
Niger	4,958	14,240	59,050	42,220	6,710	24,840
Belgium	6,856	5,770	13,930	10,780	6,380	5,710
Nepal	1,133	2,016	16,715	14,490	5,750	8,090
Spain	6,881	7,900	14,200	12,320	4,960	6,590
Hong Kong	4,839	4,910	7,870	7,660	4,120	3,670
France	4,050	3,590	9,950	7,290	3,540	4,160
South Africa	5,054	3,530	7,380	3,620	2,400	2,540
China P Rp	5,361	2,180	6,960	4,920	1,740	2,190
Nigeria	7,727	6,090	33,180	14,110	0	0
Ivory Coast	4,153	3,240	13,370	0	0	0
Others	84,581	91,384	265,825	226,060	62,450	63,120
Total	260,393	284,220	799,430	644,100	289,700	351,760
Value (in Mn. US$)		1,074	1,013	928	415	491
Unit value ($/kg)		3.78	1.27	1.44	1.43	1.40

Notes:
Year 2004 refers to Indian fiscal year 2004/05 (April-March).
2005* refers to the period April-Sept, 2005, i.e., first 6 months of IFY 2005/06.
2004* refers to the period April-Sept, 2004, i.e., first 6 months of IFY 2004/05.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI

Table 23: Export Trade Matrix, Cotton Madeups
(metric tons)

Country	2001	2002	2003	2004	2005*	2004*
USA	82,760	145,070	257,820	229,570	157,390	116,970
Others						
E.U.					138,190	130,420
UK	25,570	23,210	59,290	53,460	29,390	27,290
German F Rp	17,600	19,270	48,970	52,580	28,130	25,600
France	12,220	12,710	28,960	33,120	20,010	16,520
Italy	8,670	8,540	24,020	30,810	19,350	15,380
Netherlands	5,200	5,420	15,450	15,700	12,640	7,410
Spain	6,480	9,400	19,200	17,350	11,730	7,120
UAE	9,400	7,500	18,970	19,810	10,160	10,550
South Africa	2,440	2,880	14,600	15,710	9,710	7,400
Japan	12,400	12,670	24,090	19,280	9,670	8,660
Canada	5,880	7,540	79,560	16,880	8,580	7,600
Sweden	5,880	6,930	17,000	15,860	8,380	8,190
Australia	5,230	6,130	15,900	17,260	7,990	9,160
Belgium	4,900	3,870	11,160	13,170	7,650	5,760
Denmark	400	3,540	9,470	8,130	4,920	4,460
Portugal	1,460	1,480	3,320	3,150	2,370	1,770
Israel	2,540	2,390	3,450	3,140	1,370	1,460
Korea Rp	1,520	1,490	2,130	1,630	1,060	850
Others	44,570	43,760	107,250	103,390		
Total	255,120	323,800	760,610	670,000	393,000	333,160
Value (in Mn. US$)		1,207	1,563	1,721	1,002	854
Unit value ($/kg)		3.73	2.05	2.57	2.55	2.56

Notes:
Year 2004 refers to Indian fiscal year 2004/05 (April-March).
2005* refers to the period April-Sept, 2005, i.e., first 6 months of IFY 2005/06.
2004* refers to the period April-Sept, 2004, i.e., first 6 months of IFY 2004/05.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI

Table 24: Existing Import Policy & Tariffs/Duties for Cotton/Cotton Textiles

Commodity Code	Description of Comm.	Policy/1	Basic Duty	CVD	Special	Education	Total Duty
			Rate/2	Rate/3	CVD /4	Cess /5	/6
HC 52.01	Cotton-not carded or combed	OGL	10	0	4	2	14.668
HC 52.02	Cotton Waste	OGL	15	0	4	2	19.992
HC 52.03	Cotton-carded or combed	OGL	30	0	4	2	35.904
HC 52.04	Cotton Sewing Thread	OGL	12.5	/3	4	2	/6
HC 52.05	Cotton Yarn (85% or more cotton)	OGL	12.5	/3	4	2	/6
HC 52.06	Cotton Yarn (less than 85% cotton)	OGL	12.5	/3	4	2	/6
HC 52.07	Cotton Yarn for Retail Sale	OGL	12.5	/3	4	2	/6
HC 52.08	Cotton Fabric (85% or more cotton)weighing <200gm/sq.m	OGL	Mostly 12.5 /7	/3	0	/5	/6
HC 52.09	Cotton Fabric (85% or more cotton)weighing >200gm/sq.m	OGL	Mostly 12.5 /8	/3	0	/5	/6
HC 52.10	Cotton Fabric(less than 85% cotton)weighing <200gm/sq.m	OGL	Mostly 12.5 /9	/3	0	/5	/6
HC 52.11	Cotton Fabric(less than 85% cotton)weighing >200gm/sq.m	OGL	Mostly 12.5 /10	/3	0	/5	/6
HC 52.12	Other Cotton Fabric	OGL	Mostly 12.5 /11	/3	0	/5	/6

Notes:
/1 : OGL(Open General License)- No restrictions on imports.
/2 : Most goods of the under Chapter 52 get a tariff concession up to 50 percent of the effective basic duty on imports from less developed countries (LDC) members of SAPTA - Bangladesh, Nepal, Bhutan and Maldives.
/3 : CVD (Countervailing Duty) = local excise taxes + Central Cess applied on CIF value of goods plus Basic Duty.

Local excise tax rate = 4.08 % for items not containing synthetic fiber
8.16 % for items containing synthetic fiber
Central Cess under Textile Com Act, 1963 = 0.05%

/4: Special CVD = 4 percent applied on CIF Value of Good plus Basic Duty plus CVD. However, cotton fabrics are exempted from Special CVD.
/5 : Education Cess = 2 percent of the Basic duty + CVD.
However, education cess exempted in case of items under the HS codes 5208.41, 5208.42, 5208.49, 5208.51, 5208.52, 5208.53, 5208.59, 5209.41, 5209.42, 5209.49, 5209.51, 5209.52, 5209.59, 5210.41, 5210.42, 5210.49, 5210.51, 5210.52, 5210.59, 5211.41, 5211.42, 5211.59, 5212.15, 5212.24, 5212.25.
/6: Total Applicable Duty computation

A: CIF Value of Good
B: Basic Duty = Basic Duty Rate * CIF Value
C : CV Duty = CVD Rate * (A+B)
where CVD Rate = Excise Tax Rate + Central Cess
D : Spl CVD = Spl CVD Rate * (A+B+C)
E: Education Cess: 2% of B+C+D
Total Applicable Duty = B+C+D+E

/7: Basic Duty on 5208.39 is 12.5% or rs. 150/kg
on 5208.41 is 12.5% or* rs. 9/sq meter
on 5208.42 is 12.5% or* rs. 37/sq meter
on 5208.49 is 12.5% or* rs. 200/kg
on 5208.51 is 12.5% or* rs. 27/sqmeter
on 5208.52 is 12.5% or rs. 23/sqmeter
on 5208.53 is 12.5% or* rs. 35/sqmeter
on 5208.59 is 12.5% or* rs. 50/sqmeter

/8 : Basic Duty on 5209.31-39 is 12.5% or rs. 150/kg
on 5209.41 is 12.5% or* rs. 32/sqmeter
on 5209.43 is 12.5% or* rs. 30/sqmeter
on 5209.49 is 12.5% or* rs. 150/kg
on 5209.51-52 is 12.5% or* rs. 30/sqmeter
on 5209.59 is 12.5% or* rs. 38/sqmeter

/9 : Basic Duty on 5210.39 is 12.5% or* rs. 150/kg
on 5210.49 is 12.5% or* rs. 132/kg
on 5210.51-59 is 12.5% or* rs. 15/sqmeter

/10: Basic Duty on 5211.31-39 is 12.5% or* rs. 150/kg
on 5211.41 is 12.5% or* rs. 44/sqmeter
on 5211.42 is 12.5% or* rs. 18 per sqmeter
on 5211.43 is 12.5% or* rs. 40/sqmeter
on 5211.49 is 12.5% or* rs. 150/kg
on 5211.51-59 is 12.5% or* rs. 18/sqmeter

/11: Basic Duty on 5212.15 and 5212.25 is 12.5% or* rs. 165/kg
on 5212.24 is 12.5% or* rs. 20/sqmeter

* - Whichever is higher.

SECTION III: NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING

Production

Cotton, a predominantly monsoon-season crop, is planted from the end of April through September, and is harvested in the fall and winter (Table 4B). Planting intentions are largely influenced by its relative price vis-à-vis competing crops (paddy, guar, and fodder crops in the north; coarse grains, pulses, and sugarcane in the central region; and paddy, tobacco, and chilies in the south).

Strong cotton prices in MY 2005/06, coupled with good yields in most growing states, helped cotton farmers realize higher net returns than those growing major competing crops. Except in Maharashtra, cotton planting is expected to expand in the cotton growing states (Table 4A), assuming normal weather at the time of planting. Maharashtra is the only state where the cotton area is likely to decline, on account of crop damage from late rains in some pockets and the dilution of the Maharashtra Monopoly Procurement Scheme (see IN6003). Consequently, the MY 2006/07 cotton area is forecast to increase by 2.3 percent to 9.0 million hectares.

The latest market arrivals[1] support Post's MY 2005/06 production estimate of 23.5 million bales. Based on the latest official figures, cotton area is revised marginally lower to 8.8 million hectares. Overall favorable growing conditions, low incidence of pests and diseases, increased usage of new higher-yielding varieties (including Bt), and improved crop management practices have resulted in a near record yield of 430 kilograms/hectare.

Cotton textile production in IFY 2005/06 (April-March) increased by 9 - 12 percent over the 2004/05 level (Tables 10, 11, 16), due to relatively low cotton prices, strong domestic and export demand, and declining competition from MMF. Reports indicate that all textile sectors (yarn, weaving, and finished products) are earning better profits, and most of the industry players are investing heavily in modern equipment and expansion of capacity.

ELS Cotton

ELS cotton production in MY 2005/06 declined to 180,000 bales (Table 3), as more and more ELS farmers are shifting to varieties such as Bunny and Brahma. Only a few domestic varieties (DCH-32, TCH-213, and Suvin), grown mostly in southern India, meet ELS specifications. The fiber quality and yields of these varieties have deteriorated in recent years, however, causing marketing problems and lower returns for growers. Thus, farmers are shifting to long staple (30-34 mm) varieties like Bunny and Brahma, which have higher yields and fewer quality problems. Efforts to improve the productivity of ELS parent lines have met with limited success. ELS cotton is used for the production of quality yarn, fabric, and dress material, all for export, and for a small but growing high-end domestic market segment.

Despite high ELS prices, MY 2005/06 consumption is estimated to increase to 520,000 bales, as most mills covered their cotton requirement through imports in MY 2004/05, when prices were lower. Due to the relatively high prices of US Pima and Egyptian cotton, MY 2005/06 imports are estimated lower at 300,000 bales (vs. 350,000 bales last year).

---

[1] Combined India market arrivals, through April 29, 2006, are estimated at 21.7 million bales, vis-à-vis 22.5 million bales for the comparable period last year.

Status of *Bt cotton*

Farmers are very happy with the performance of the Bt varieties, despite the relatively high prices of the Bt seed ($36-41 per packet of 600 grams) vis-à-vis conventional seeds ($3.30-10.00 per packet). Recently, the leading Bt seed suppliers lowered prices by $8-9 per packet for the upcoming season, which should further increase *Bt cotton* planted area in the upcoming season. MY 2006/07 *Bt cotton* area is expected to grow about three-fold over last year's to 4.2 million hectares, making up nearly 47 percent of the total forecast cotton area.

Progress of *Bt cotton* in India (Area in thousand hectares)

	MY 2002/03	MY 2003/04	MY 2004/05	MY 2005/06	MY 2006/07 (Forecast)
Area under GOI approved varieties	28	90	520	1320	2200
Area under GOI unapproved varieties	30	120	600	1200	2000
Total Area	58	210	1120	1520	4200

Source: Industry sources

Since the first approval of *Bt cotton* in MY 2002/03, the GOI had approved a total of 18 Bt varieties for commercial cultivation in different agro-climatic regions till the last crop season (MY 2005/06). The GOI recently approved 20 new *Bt cotton* hybrids for India's northern and central regions.

Bt Hybrids Released for Commercial Cultivation in India

Region/State	Varieties Approved for MY 2004/05 & earlier	Varieties Approved in MY 2005/06	New varieties approved for MY 2006/07	Total Approved Varieties for MY 2006/07
Northern Region (Punjab, Haryana, Rajasthan)	None	RCH 134, RCH 138, MRC 6301, MRC 6304, Ankur 651, Ankur 2534	MRC 6026, MRC 6029, NCS 913, NCS 138, RCH 308, RCH 318, JKCH 1947**, NCEH 6**	14
Central Region (Gujarat, Maharashtra, Madhya Pradesh)	Mech 12, Mech 162, Mech 184, RCH 2	RCH 138, RCH 144, RCH 118, Ankur 9, Ankur 681, MRC 6301	GK 205, ACH 33-1, ACH 155-1, Tulasi 4, VICH 5, VICH 9, VCC 111, Brahma, RCH 377, PRCH 102, JK Varun 555**, NCEH 2R***	22
Southern Region (Andhra Pradesh, Karnataka, Tamil Nadu)	RCH 2, Mech 162*, Mech 184*, Mech 12*	RCH 20, RCH 368, MRC 6322, MRC 6918	None	7 (Karnataka/ Tamil Nadu) 5 (Andhra Pradesh)

Note:
* The GOI denied approval for cultivation of Mech 12 in all southern states, and Mech 162 and Mech 184 in Andhra Pradesh beginning in MY year 2005/06.
** Bt variety from a Bt gene version developed by a local university.
*** Bt variety from a Bt gene sourced from China.

In addition to the approved varieties, there are over fifty unapproved (and therefore less expensive) *Bt cotton* varieties, illegally bred and marketed by farmers and seed companies.

Production Policy

The GOI establishes minimum support prices (MSP) for cotton at the beginning of every marketing season. Typically, market prices remain well above the MSP. In MY 2004/05, the Cotton Council of India (CCI) and state marketing federations had to undertake significant MSP buying as market prices crashed. MSP operations in MY 2005/06 were quite limited, as market prices ruled steady on strong export demand. Futures trading in cotton, launched by the East India Cotton Association in 1998, have not gained enough volume to affect the market.

There are several government agencies and research institutions in addition to the CCI that are engaged in cotton development, seed distribution, crop surveillance, integrated pest management, and extension activities for cotton. The GOI's Cotton Technology Mission also supports activities aimed at improving cotton yields, reducing cultivation costs, and improving quality through modernization of existing facilities.

The GOI's statutory hank yarn policy requires that 50 percent of a mill's output of yarn meant for the domestic market be produced in the form of hank yarn for use by the handloom industry. Export oriented units (EOUs) are exempt from this obligation. The GOI also subsidizes the sale of handloom products. The Technology Upgradation Fund, launched in 1999, provides an interest subsidy on loans intended to modernize the textile industry.

Consumption

Based on the latest official figures available for the period August 2005 through January 2006 (Table 5A and 5B), MY 2005/06 consumption is estimated lower at 20.6 million bales (mills 17.2 million bales, small scale spinning units 1.75 million bales, and non-mill 1.6 million bales). Despite sufficient domestic supplies, cotton prices during MY 2005/06 were relatively higher than last year's on strong international cotton prices (Table 6).

Market sources report that mills are increasingly shifting their cotton/polyester blends to cotton. Future growth in cotton usage is likely to be determined by the relative prices of cotton vis-à-vis MMFs. Polyester and poly-blends are popular in India due to their durability and maintenance under tropical conditions.

The domestic demand for textiles is expected to grow by seven to eight percent on strong growth in both the economy[2] and population[3]. The export demand for Indian textiles has shown double-digit growth under the post-MFA regime (January 2005 onwards); this will likely continue at least over the next few years (Table 19). The Indian textile industry includes both an "organized" sector (large-scale spinning units and composite mills) and an "unorganized" sector (small-scale spinning units, power looms, handlooms, hosiery units). More than 95 percent of the yarn is produced in the organized sector. The weaving industry is mainly supplied by the unorganized sector, with the power looms accounting for 60 percent, handlooms for 18 percent, and hosiery units for 17 percent, of total cloth production. The organized sector weaving mills account for the remaining 5 percent of the cloth production.

[2] Various sources estimate that India's economy will grow between 7.5 to 8.0 percent in IFY 2006/07.
[3] Based on the last official survey (2001), India's population growth is estimated at 1.8 percent per year.

Trade

Comfortable domestic supplies and relatively firm international cotton prices have helped to quadruple cotton export prospects in MY 2005/06, currently estimated at 3.2 million bales vs. 0.8 million bales last year. Market sources report that up through the end of April, nearly 3.5 million bales have been contracted for export (delivery by August/September), of which 2.4 million bales have already been shipped. The major export destinations have been China (55-65 percent), Bangladesh (10 percent), and other neighboring and Far Eastern countries. Indian cotton was reportedly 2-3 cents per pound cheaper than comparable cotton from other origins in the international market.

MY 2005/06 imports are estimated lower at 500,000 bales, compared to 1.3 million bales during the previous year, due to comfortable domestic supplies and the relatively high prices of foreign cotton. Most imports were limited to ELS and quality long staple cotton, mostly from the United States, Egypt, and the CIS. Abnormally high prices of ELS cotton in the international market further constrained imports.

Sufficient domestic supplies, relatively low cotton prices for domestic mills vis-à-vis competing textile producers, and the stability of the Indian rupee vis-à-vis the U.S. dollar supported increased cotton textile exports in IFY 2005/06. Cotton garments, Made-ups, and yarn saw a strong growth, although fabric exports were down.

Indian textile exports are typically targeted at the lower end of the international market. A few modern integrated textile units have recently shifted their focus to exports of finer count yarns, fabric, and branded garments for the upper segment of the world market. Bullishness about India's export competitiveness following the abolition of the MFA quota system resulted in the leading textile groups making significant investments in modern equipment and in further integration.

Trade Policy

In the 2006 Indian budget, the GOI lowered the peak tariff levels on most non-agricultural products, including cotton textile products, from 15 percent to 12.5 percent. A special countervailing duty of 4 percent was levied on imports of cotton and cotton yarn (including sewing thread). The basic import duty on raw cotton remained unchanged at 10 percent (See Table 24).

Currently, the GOI does not provide any direct subsidies to exports of raw cotton.
With the expiration of the MFA in January 2005, Indian exports of all textile products have been liberalized. In an effort to promote the export of value-added cotton textiles, the GOI provides various incentives. Export oriented units (EOUs) and firms importing against an advance license get a duty drawback (zero duty for EOUs, and a duty discounts for others) on imports of raw materials for the export of value-added goods. Under the "Export Promotion Capital Goods" plan, imports of capital goods and machinery are allowed at reduced duty rates against export obligations (zero duty for a 100 percent EOU). No direct subsidies are provided for the export of cotton textiles.

Marketing

India has a traditional cotton marketing system: farmers bring their handpicked, raw seed cotton to the market, where it is sold via open auction and bought by traders and ginners. The seed cotton is ginned, pressed, and baled in ginning mills, and the baled cotton is supplied to mills directly by the traders/ginners. In addition to private trade, government entities, such as the CCI and state marketing federations, also operate in the market on a commercial basis, in addition to undertaking price support operation when required. Most Indian mills import their cotton through Mumbai-based cotton traders/brokers.