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Cotton and Product

Annual

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Report Highlights:

Indian cotton production is expected to increase marginally this year. Despite comfortable local supplies, MY 2002/03 imports are forecast at 2 million bales (170 kg) due to the likelihood of depressed world prices, and an anticipated recovery in export demand for textiles.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I: SITUATION AND OUTLOOK

Note : All data in narrative are in 170 kg Indian bales.

Production

MY 2002/03 cotton production is forecast to rise slightly to about 15.4 million bales (including 900,000 bales of loose cotton). The anticipated higher yields assume a normal monsoon and reduced insect damage in northern producing areas. While MY 2001/02 prices were significantly below the previous year's level, rather firm ending-season prices (vis-a-vis paddy, pulses and coarse grains) will arrest any significant shift out of cotton. Consequently, MY 2002/03 planted area is forecast to decline only marginally to 8.5 million hectares (table 4). Extra long staple (ELS) is forecast to return to 500,000 bales provided planting conditions are favorable.

Despite heavy losses to bollworm in the north and parts of Gujarat, last year's production rose more than 8 percent to 15.2 million bales on higher plantings and improved yields in the central and southern states. MY 2001/02 ELS is, however, estimated to have declined to 450,000 bales on adverse planting conditions for DCH-32 in Karnataka. Production of ELS cotton has fallen steadily in recent years due to declining productivity and deterioration in fiber quality.

This year, for the first time, the government of India will allow commercial cultivation of three varieties of Bt cotton in the central/southern states, though the acreage will be too small to have much impact on overall production.

Cotton textile production (tables 10-12) was stagnant in Indian fiscal year 2001/02 (Apr/Mar) owing to poor demand (domestic and export). Although cotton textile export estimates for 2001/02 are not yet available, sources report poor off take in the 2nd half of 2001/02, especially after September 11. The slowdown in exports depressed the domestic market as reflected by reduced mill consumption (table 6). Market sources have reported improved export demand for cotton yarn/fabric since Feb/Mar. Low MY 2001/02 cotton prices, coupled with a resurgence in textile exports and increased domestic off take (partly due to population growth), are expected to lift cotton textile production by 5 percent in fiscal year 2001/02.

Consumption

Cotton consumption during MY 2002/03 may benefit from the expected weak prices vis-a-vis man-made fibers (table 14). Consequently, MY 2002/03 mill consumption is forecast to rise to 15.0 million bales; consumption by small spinning units should reach 1.1 million bales. Prices are expected to remain soft in MY 2002/03 due to a weak world market and sufficient domestic supplies.

MY 2001/02 cotton prices have been pressured by stronger imports and depressed demand for textiles (table 6). Nevertheless, MY 2001/02 consumption declined due to the poor off take of yarn and fabric in domestic and export markets. Cotton's share of total fiber use during the last three years has been 58 to 59 percent (table 14). Given current price relationships, that share may increase to 60 percent during 2001/02 and is forecast at 62 percent in 2002/03 (table 15).

The textile industry must expand by 3-4 percent per year just to keep pace with the demand for clothing from the growing Indian population. The 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. In the weaving sector, power looms account for 56 percent of production, handlooms 20 percent and hosiery units 18 percent.

Trade

India will continue to augment local supplies of ELS and other quality cotton through imports, mainly by export-oriented units (EOU's). Despite comfortable domestic supplies, India's cotton imports in MY 2002/03 are forecast at 2.0 million bales due to the resurgence in export demand for yarn, fabric and other textile products, and expected weak international prices. Although India's cotton exports largely depend on the quality of the domestic crop and local prices vis-a-vis international quotations, expected weak world prices will likely hold MY 2002/03 exports to about 100,000 bales.

MY 2001/02 cotton imports are estimated to be a record 2.24 million bales due to weak world prices and a shortage of domestic cotton due to the failure of the northern crop. Imports of US cotton, estimated at 1.2 million bales, account for more than half of total imports due to highly competitive US prices vis-a-vis other origins. Australia, South America, West Africa, the CIS, Greece and Egypt are other major suppliers. ELS imports declined to 150,000 bales due to high prices and depressed export demand for fine yarns/fabrics. Most ELS imports are from USA, Egypt and CIS countries. Small quantities are Australian and South American Pima.

Exports of cotton textiles (table 17) during fiscal year 2000/01 rose to \$3.55 billion compared with \$3.11 billion in 1999/00. As the GOI waived mandatory registration of cotton yarn/fabric exports with the Cotton Textiles Export Promotion Council (TEXPROCIL) from April 2001, cotton textile export statistics for fiscal 2001/02 are not yet available. Industry sources believe that cotton textile exports during 2001/02 may have dropped 12-15 percent despite a marginal recovery in exports during the last quarter (Jan-Mar 2002). The very steep decline in exports of ready-made garments during CY 2001 seems to reflect the same trend (table 21).

Marketing

India is a growing market for ELS and other high quality staples (28-32 mm), with occasional imports of medium staple in years when local supplies are tight or world prices favorable. Most importing mills are ready to pay 5-10 percent premiums for foreign cotton due to its higher quality (less trash, uniform lots, higher ginning out turn), better credit terms (3-6 months vs. 15-30 days for local) and staggered delivery over longer periods at a contracted price. Mills using ELS have been pleased with US Pima and its fiber characteristics. While the US has emerged as an important supplier in the last two seasons, prices will have to remain competitive in order to offset the lower freight and shorter delivery periods offered to Indian buyers by Egypt, West Africa, the CIS countries and Australia.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (metric tons)

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2000		08/2001		08/2002	(MONTH/YEAR)
Area Planted	8122000	8120000	8740000	8710000	0	8500000	(HECTARES)
Area Harvested	8122000	8120000	8740000	8710000	0	8500000	(HECTARES)
Beginning Stocks	1069691	1069632	819305	821570	0	901010	METRIC TONS
Production	2373219	2380000	2569173	2584000	0	2618000	METRIC TONS
Imports	337476	341158	381021	381020	0	340000	METRIC TONS
TOTAL SUPPLY	3780386	3790790	3769499	3786590	0	3859010	METRIC TONS
Exports	10886	20400	10886	13600	0	17000	METRIC TONS
USE Dom. Consumption	2735995	2734620	2652990	2650980	0	2737000	METRIC TONS
Loss Dom. Consumption	214200	214200	221000	221000	0	238000	METRIC TONS
TOTAL Dom. Consumption	2950195	2948820	2873990	2871980	0	2975000	METRIC TONS
Ending Stocks	819305	821570	884623	901010	0	867010	METRIC TONS
TOTAL DISTRIBUTION	3780386	3790790	3769499	3786590	0	3859010	METRIC TONS

Note: Production figures for MY 2000, 2001, 2002 include 900,000 bales of loose cotton (170 kg bales).

Table 2: Commodity, Cotton (480 lb bales)

PSD Table							
Country:					Conversion	0.004593	
Commodity:							
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	8122000	8120000	8740000	8710000	0	8500000	(HECTARES)
Area Harvested	8122000	8120000	8740000	8710000	0	8500000	(HECTARES)
Beginning Stocks	4913	4913	3763	3773	0	4138	1,000 480lb bales
Production	10900	10931	11800	11868	0	12024	1,000 480lb bales
Imports	1550	1567	1750	1750	0	1562	1,000 480lb bales
TOTAL SUPPLY	17363	17411	17313	17391	0	17724	1,000 480lb bales
Exports	50	94	50	62	0	78	1,000 480lb bales
USE Dom. Consumption	12566	12560	12185	12176	0	12571	1,000 480lb bales
Loss Dom. Consumption	984	984	1015	1015	0	1093	1,000 480lb bales
TOTAL Dom. Consumption	13550	13544	13200	13191	0	13664	1,000 480lb bales
Ending Stocks	3763	3773	4063	4138	0	3982	1,000 480lb bales
TOTAL DISTRIBUTION	17363	17411	17313	17391	0	17724	1,000 480lb bales

Note: Production figures for MY 2000, 2001, 2002 include 900,000 bales of loose cotton (170 kg bales).

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

PSD Table			
Country:	India		
Commodity:	Cotton		
Units : Metric Tons	2000/01	2001/02	2002/03
	(Revised)	(Revised)	(Forecast)
Beginning Stocks	13474	8374	2424
Production	85000	76500	85000
Imports	28900	25500	27200
Total Supply	127374	110374	114624
Exports	0	0	0
Domestic Consumption	119000	107950	110500
Ending Stocks	8374	2424	4124
Total Distribution	127374	110374	114624
Units : 480 lbs bales	2000/01	2001/02	2002/03
	(Revised)	(Revised)	(Forecast)
Beginning Stocks	61887	38463	11134
Production	390405	351364	390405
Imports	132738	117122	124930
Total Supply	585030	506949	526469
Exports	0	0	0
Domestic Consumption	546567	495814	507526
Ending Stocks	38463	11134	18942
Total Distribution	585030	506949	526469

Source: AgNewDelhi estimates 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	Forecast
STATE		1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
Maharashtra	Area	3139	3199	3254	2793	2980	2900
	Production	2150	2650	3650	2050	3270	2800
	Yield	116	141	191	125	187	164
Gujarat	Area	1519	1607	1516	1578	1687	1680
	Production	4200	4750	2850	2400	3100	3500
	Yield	470	502	320	259	312	354
Madhya Pradesh	Area	517	501	525	555	623	610
	Production	2250	1875	1550	1750	1850	1800
	Yield	740	636	502	536	505	502
Punjab	Area	727	562	475	474	600	580
	Production	725	500	800	900	980	1000
	Yield	170	151	286	323	278	293
Haryana	Area	638	582	546	555	610	550
	Production	900	700	1050	1000	500	800
	Yield	240	204	327	306	139	247
Rajasthan	Area	645	645	583	482	347	350
	Production	1100	1150	1300	1050	600	700
	Yield	290	303	379	370	294	340
Andhra Pradesh	Area	898	1278	1040	890	1002	950
	Production	2550	2500	2200	2500	2600	2400
	Yield	483	333	360	478	441	429
Karnataka	Area	518	608	600	538	597	600
	Production	750	875	800	800	750	800
	Yield	246	245	227	253	214	227
Tamil Nadu	Area	247	243	185	200	190	200
	Production	500	550	550	550	500	550
	Yield	344	385	505	468	447	425
Others	Area	56	62	67	55	74	80
	Production	100	125	150	100	150	150
	Yield	304	343	381	309	345	255
All-India	Area	8904	9287	8791	8120	8710	8500
	Production	15225	15675	14900	13100	14300	14500
	Yield	291	287	288	274	279	290

Note: Production figures for 1997/98 - 2002/03 in the PS&D includes loose cotton estimates.

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

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

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

Table 5: Mill Use by Month (100,000 bales of 170 kg each)

Month\Year	1997/98	1998/99	1999/2000	2000/01	2001/02
Aug	13.07	11.44	12.45	12.64	12.4
Sept	13.24	11.38	12.11	12.41	12.05
Oct	12.75	11.28	12.20	12.00	11.83
Nov	12.59	11.68	11.62	12.45	11.48
Dec	13.48	12.48	12.85	12.93	12.54
Jan	12.69	12.28	12.80	12.58	11.71
Feb	11.12	11.57	12.38	11.74	
Mar	11.89	12.37	12.89	12.90	
Apr	11.23	12.12	12.22	12.41	
May	11.43	12.15	12.79	12.64	
Jun	11.46	12.36	12.75	12.50	
Jul	11.78	12.68	13.04	12.76	
TOTAL	146.73	143.79	150.10	149.96	72.01

Note: Dec 2001 and Jan 2002 figures are provisional.

Source: The Textile Commissioner's Office, GOI

Table 6: Month End Prices of Popular Varieties (rupees per metric ton)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2000/01						
Aug	27840	50900	54550	58770	68330	88000
Sept	27560	47240	53990	57650	68330	83520
Oct	32060	46120	54830	58210	67490	82950
Nov	33180	52020	61300	65240	73110	96960
Dec	30090	50620	59050	61860	71710	101160
Jan	29530	50330	56240	61300	72550	99200
Feb	28680	50330	52870	57650	67490	98360
Mar	30370	50330	53430	58210	67490	98360
Apr	32620	50620	54830	57080	67490	98360
May	34590	52870	56240	59050	71710	98360
Jun	35430	52580	56240	57650	70300	98360
Jul	34590	50050	53150	56240	67490	89960
Avg Price	31378	50334	55560	59076	69458	94462
2001/02						
Aug	34590	51460	52580	54830	66080	88000
Sept	36560	46960	52300	54830	64680	87160
Oct	38240	40490	44990	46400	59050	77330
Nov	39650	39370	41340	44710	54830	73110
Dec	35710	37120	41340	44430	53430	71140
Jan	36560	36840	40210	43300	48370	70300
Feb	36560	36270	38810	41620	47800	66080
Mar	37960	36560	39650	44150	50620	70300
Apr	38520	39930	42180	44990	52020	73120
May 10	39090	39090	41620	44710	52580	75080

Source: East India Cotton Association, Mumbai

Table 7: Export Trade Matrix, Cotton*

Export Trade Matrix					
Country:		Units:	Metric Tons		
Commodity:					
Time period:	Aug-Jul				(Aug-Jan)
Exports for	1999		2000		2001
U.S.	25	U.S.	93	U.S.	226
Others		Others		Others	
Japan	4,809	Japan	3,614	Japan	1,040
Italy	4,300	Malaysia	2,827	Italy	404
France	1,746	Italy	2,094	Bangladesh	386
United Kingdom	1,132	Mauritius	1,682	Malaysia	380
Belgium	1,059	Hongkong	1,574	France	97
German F Rep.	618	China Rep	1,058	Belgium	60
Bangladesh	361	Bangladesh	946	Vietnam	25
Chinese Taipei	284	German F Rep.	851	Thailand	24
Spain	131	Belgium	834	China Rep.	16
Singapore	86	Sri Lanka	600	Canada	12
Total for Others	14,526		16,080		2,444
Others not listed	1,579		7,374		1
Grand Total	16,130		23,547		2,671

Note: MY2001 data are August 2001 through January 2002.

* Includes non-spinnable cotton & cotton waste not included in the PS&D.

Source: DGCIS, Ministry of Commerce, GOI.

Table 8: Import Trade Matrix, Cotton

Import Trade Matrix					
Country:		Units:	Metric Tons		
Commodity:					
Time period:	Aug-Jul				(Aug-Jan)
Imports for	1999		2000		2001
U.S.	21,221	U.S.	48,805	U.S.	128,065
Others		Others		Others	
Australia	39,118	Australia	51,308	Australia	27,280
Ivory Coast	35,737	Benin	35,994	Brazil	18,060
Benin	34,762	Ivory Coast	33,594	Paraguay	14,937
Russia	24,936	Uzbekistan	19,766	Uzbekistan	7,743
South Africa	19,912	Egypt	14,268	Greece	7,659
China	15,928	Nigeria	12,120	Argentina	7,575
Malaysia	14,539	Burkina FASO	10,375	Benin	7,084
Mali	13,362	South Africa	9,988	Tanzania	5,387
Cameroon	12,215	China	7,326	Cameroon	5,198
Burkina FASO	11,751	Paraguay	6,704	Ivory Coast	4,130
Total for Others	222,260		201,443		105,053
Others not listed	104,881		90,910		33,632
Grand Total	348,362		341,158		266,750

Note: MY2001 data are August 2001 through January 2002.

Source: DGCIS, Ministry of Commerce, GOI.
The Textile Commissioner's Office, GOI

Table 9: Growth of the Indian Textile Industry

Item Year *	1991/92	1995/96	1999/2000	2000/01	2001/02
Organized Mills @					
Spinning	846	1294	1565	1565	1577
Composite	271	275	285	281	281
Exclusive Weaving	na	172	202	203	203
Small Scale Spinning Units	na	750	921	996	1026
Power Loom Units ('000s)	na	326	365	374	374
Spindles (millions)@	27.82	31.75	37.08	37.91	38.10
Rotors ('000s)@	113	226	444	454	472
Looms ('000s)@	169	148	140	140	140
Power Loom ('000s) @	na	1365	1630	1662	1665
Hand Loom ('000s) @	na	3891	3891	3891	3891
Spun Yarn Prod (mil kg)					
Cotton Yarn	1450	1894	2204	2267	2290
Other Spun Yarn	356	591	842	893	910
Man-made Filament Yarn	na	493	894	920	957
Fabric Production (mil sq. m)					
Cotton	14647	18900	18989	19718	19816
Blended	2712	4025	5913	6351	6384
100% non-cotton (inc Khadi/wool/silk)	5229	9033	14306	14187	15680

Note: * - Indian fiscal Year April/March

@ - As on end of the Indian fiscal year (31st March)

na - not available

Source: The Textile Commissioner's Office, GOI

Table 10: Production of Spun Yarn (Fiber-Wise, Million kg.)

CY 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 (P)	2290	635	275	3200

Note: 1/- Year 2001 refers to Indian fiscal year 2001/02 (April/March)

(P)- Provisional

Source: The Textile Commissioner's Office, GOI

Table 11: Production of Manmade Filament Yarn (Million kg.)

Year 1/	VISCOSE	POLYESTER	NYLON	POLY-PROPL ENE	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(P)	48	862	27	20	957

Note: 1/- Year 2001 refers to Indian fiscal year 2001/02 (April/March)

(P)- Provisional

Source: The Textile Commissioner's Office, GOI

Table 12: Production of Fabric (fiber-wise, square meters)

Year 1/	COTTON	BLENDED	KHADI/WOOL/SILK	100% NON-COTTON	TOTAL
1995	18900.0	4025.0	498.0	8535.0	31958.0
1996	19841.0	4888.0	540.0	9569.0	34838.0
1997	19992.0	5751.0	545.0	11153.0	37441.0
1998	17948.0	5700.0	559.0	11895.0	36102.0
1999	18989.0	5913.0	575.0	13725.0	39202.0
2000	19718.0	6351.0	581.0	13606.0	40256.0
2001(P)	19816.0	6384.0	580.0	15100.0	41880.0

Note: 1/- Year 2001 refers to Indian Fiscal Year 2001/02 (Apr/Mar)

(P) - Provisional

Source: The Textile Commissioner's Office, GOI

Table 13: Consumption of Major Fibers/Yarns by the Textile Industry (million kgs)

Year 1/	Cotton	Cotton	Man-made	Man-made	Total
	Qty	% Share	Fiber	Filament	Yarn 2/
1995	2295	66.6	557	488	3446
1996	2566	65.6	646	581	3913
1997	2719	62.8	756	726	4327
1998	2485	58.9	780	822	4219
1999	2652	58.2	875	896	4560
2000(P)	2721	58.8	889	878	4630

Note: 1/- Year 2000 is Indian fiscal year 2000/01 (Apr/Mar)

2/- Total yarn includes some quantity of other natural yarns (silk/wool)

(P)- Provisional

Source: The Textile Commissioner's Office, GOI

Table 14: Prices of Raw Cotton and other Fibers (rupees/kg)

Period	Raw	Viscose	Polyester	Acrylic
	Cotton	Staple	Staple	Staple
	Fiber	Fiber	Fiber	Fiber
	(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	78.58	63.34	80.25
March 2001	51.25	89.54	27.43	88.51
March 2002	37.68	83.74	49.73	84.95

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

Source: The Textile Commissioner's Office, GOI

Table 15: 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	15.0	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 (P)	14.8	4.7	12.5	32.0

Note: 1/-Year 2001 refers to Indian fiscal year 2001/02 (April/March)
(P)- Provisional

Source: The Textile Commissioner's Office, GOI

Table 16: India's Exports of Textiles (Million US\$)

Items	1998/99	1999/2000	2000/01
Ready-made Garments	4,365	4,765	5,570
Cotton Textiles	2,821	3,107	3,548
Man-made Textiles	720	855	1,095
Silk Textiles	178	245	319
Wool & Woolen Textiles	75	50	64
Total	8,083	8,973	10,532

Note: 2000/01 refers to the period April 2000 to March 2001.

Source: Directorate General of Comm. Intelligence and Stats (DGCIS), Ministry of Commerce

Table 17: Exports of Major Yarn, Fabric and Apparel from India (Million US\$)

Item	1998/99	1999/2000	2000/01
Cotton Yarn	1,074	1,229	1,353
100% Non-Cotton Yarn	142	159	235
Polyester Filament Yarn	58	73	132
Viscose Filament Yarn	17	20	27
Nylon Filament Yarn	3	3	8
Woollen Yarn	42	21	22
Silk Yarn	2	4	2
Cotton Fabric	887	933	975
Man-made Fabric	363	394	495
Knitted Crocheted Fabric	32	24	21
Silk Fabric	155	203	269
Woollen Fabric	28	22	30
Apparel & Clothing Accessories	4,366	4,769	5,576

Note: 2000/01 refers to the period April 2000 to March 2001

Source: DGCIS, Ministry of Commerce, GOI

Table 18: Export Trade Matrix, Cotton Yarn (million rupees)

COUNTRY	1999/2000	2000/2001
Korea Rp	78188.36	54137.13
Hongkong	61589.01	82796.08
Bangladesh	36779.74	66141.18
Mauritius	32937.32	35720.34
Italy	26398.10	29304.41
Russia	26324.33	26019.18
Japan	24724.14	26007.29
Chinese Taipei	22820.65	18156.82
Israel	17167.12	16219.38
China P Rp	17093.24	25369.49
Egypt A Rp	14430.12	15951.26
Canada	13967.10	13005.13
UAE	13160.12	15280.92
Malaysia	12394.73	13190.68
Sri Lanka	11352.12	13927.97
German F Rep	9891.18	11169.76
Korea Dp Rp	9049.28	26005.87
Belgium	8284.50	10498.78
Spain	6836.16	8252.10
Portugal	4963.16	8643.13
Others	83826.72	102343.96
TOTAL	532177.20	618140.86
EXCHANGE RATE:	43.30	45.70

Note: Since GOI has waived off mandatory registration of cotton textile exports with the Cotton Textile Export Promotion Council (TEXPROCIL) from April 2001, exports figures from Texprocil are no longer available.

2000/2001 refers to the period April 2000 to March 2001

Source: DGCIS, Ministry of Commerce, GOI

Table 19: Export Trade Matrix, Cotton Fabric (million rupees)

COUNTRY	1999/2000	2000/2001
USA	59451.57	48015.37
UK	29503.42	28213.07
Bangladesh	28756.14	31017.11
UAE	21748.97	25849.71
Sri Lanka	16728.01	16579.48
Italy	15851.81	18788.16
Belgium	13060.43	12663.86
Nigeria	12833.79	14414.75
German F Rep	10548.30	8916.70
Hongkong	10326.78	7786.55
Benin	6836.15	7908.71
South Africa	6534.88	10020.50
Mauritius	5736.42	7474.65
Ivory Coast	5258.62	11111.91
Togo	4426.66	8895.49
Egypt A Rp	4119.71	6404.18
Tanzania Rep	3918.57	8618.76
Turkey	3488.03	9150.19
Congo P Rep	3320.11	6032.73
Niger	3284.40	6751.00
Others	138198.49	151083.12
TOTAL	403931.26	445696.00
EXCHANGE RATE:	43.30	45.70

Note: Since GOI has waived off mandatory registration of cotton textile exports with the Cotton Textile Export Promotion Council (TEXPROCIL) from April 2001, exports figures from Texprocil are no longer available.

2000/2001 refers to the period April 2000 to March 2001

Source: DGCIS, Ministry of Commerce, GOI

Table 20: Exports of Ready-made Garments from India (In Millions)

ITEM		CY 1995	CY 2000	CY 2001
COTTON	Qty. (pieces)	843	1221	1054
	Value (\$)	3096	4080	3390
SYNTHETIC	Qty.(Kgs.)	194	267	196
	Value (\$)	1211	1526	1012
WOOL	Qty.(Kgs.)	24	16	15
	Value (\$)	166	160	142
TOTAL	Value (\$)	4474	5765	4543

Note: Calender Year (CY) 2001 figures are provisional.

Source: Apparel Export Promotion Council

Table 21: Import Policy & Tarriffs/Duties for Cotton/Cotton Textiles for IFY 2002/03 (Apr/Mar)

Commodity Code	Description of Comm.	Policy/1	Basic Duty Rate /2	CVD Rate /3	Special Addl. Duty Rate
HC 52.01	Cotton-not carded or combed	OGL	10	0	0
HC 52.02	Cotton Waste	OGL	15	0	4
HC 52.03	Cotton-carded or combed	OGL	30	0	4
HC 52.04	Cotton Sewing Thread	OGL	20	/4	4
HC 52.05	Cotton Yarn (85% or more cotton)	OGL	20	/4	4
HC 52.06	Cotton Yarn (less than 85% cotton)	OGL	20	/4	4
HC 52.07	Cotton Yarn for Retail Sale	OGL	/5	/4	4
HC 52.08	Cotton Fabric (85% or more cotton)weighing <200gm/sq.m	OGL	Mostly 30 /6	/7	0
HC 52.09	Cotton Fabric (85% or more cotton)weighing >200gm/sq.m	OGL	Mostly 30 /8	/7	0
HC 52.10	Cotton Fabric(less than 85% cotton)weighing <200gm/sq.m	OGL	Mostly 30 /9	/7	0
HC 52.11	Cotton Fabric(less than 85% cotton)weighing >200gm/sq.m	OGL	Mostly 30 /10	/7	0
HC 52.12	Other Cotton Fabric	OGL	Mostly 30 /11	/7	0

Notes:

- /1 - OGL(Open General License)- No restrictions on imports.
- /2 - Most goods under HC 52 get a tariff concession of 50 percent of the effective basic duty on imports from LDC members of SAPTA, i.e., Bangladesh, Nepal, Bhutan and Maldives.
- /3 - CVD (Countervailing Duty) equivalent to local excise taxes + additional duties and cess
- /4 - Local excise rate = 8% for items not containing synthetic fiber
or = 16% for items containing synthetic fiber
- Plus additional duty on excise = 15 percent of the total excise tax
- Plus Cess under Textile Com. Act, 1963 = 0.05% of CIF value of good + basic duty(BD)
- /5 - BD =25% for item containing 85% or more cotton and 30% for others.
- /6 - BD on 5208.39 upholstery fabrics (UF) is 25% or rs. 150/kg (whichever is higher)
on 5208.41 is 30% or rs. 9/sqmeter
on 5208.42 UF is 25% or rs. 37/sqmt; Other than UF (OUF) is 30% or 22/sqmt
on 5208.49 UF is 25% or rs. 143/kg; OUF is 30% or rs. 200/kg
on 5208.51 is 30% or rs. 27/sqmt
on 5208.52 UF is 25% or rs. 23/sqmt; OUF is 30% or rs. 14/sqmt
on 5208.53 UF is 25% or rs. 35/sqmt; OUF is 30% or rs. 21/sqmt
on 5208.59 UF is 25% or* rs. 50/sqmt; OUF is 30% or rs. 30/sqmt
- /7 -CVD equivalent to local excise taxes = 16 percent
- Plus add Cess under Textile Comm Act, 1963 = 0.05% of CIF value of good + BD
- /8 - BD on 5209.31-39 UF is 25% or rs. 150/kg
on 5209.41 UF is 25% or rs. 32/sqmt; OUF is 30% or rs. 30/sqmt
on 5209.43 UF is 25% or rs. 30/sqmt; OUF is 30% or rs. 28/sqmt
on 5209.49 UF is 25% or rs. 150/kg
on 5209.51-52 UF is 25% or rs. 30/sqmt; OUF is 30% or rs. 24/sqmt
on 5209.59 UF is 25% or rs. 38/sqmt; OUF is 30% or rs. 30/sqmt
- /9 - BD on 5210.39 UF is 25% or rs. 150/kg
on 5210.49 UF is 25% or rs. 132/kg
on 5210.51-59 UF is 25% or rs. 15/sqmt; OUF is 30% or rs. 12/sqmt
- /10- BD on 5211.31-39 UF is 25% or rs. 150/kg
on 5211.41 UF is 25% or rs. 44/sqmt; OUF is 30% or rs. 35/sqmt
on 5211.43 UF is 25% or rs. 40/sqmt; OUF is 30% or rs. 32/sqmt
on 5211.49 UF is 25% or rs. 150/kg
on 5211.51-59 UF is 25% or rs. 18/sqmeter; OUF is 30% or rs. 12/sqmt
- 11- BD on 5212.15 and 5212.25 is 30% or rs. 165/kg
on 5212.24 is 30% or rs. 20/sqmt

Method for Computing Total Applicable Duty

A- CIF Value of Good

B- Basic Duty = Basic Duty Rate * CIF Value

C - Counter Vailing Duty = CVD Rate * (A+B)

where CVD Rate = Excise Tax Rate + Additional Duty on Excise Tax =

D- Special Add. Duty = SAD Rate * (A+B+C)

Total Applicable Duty = B+C+D

SECTION III: NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING**Production**

Cotton is a monsoon (kharif season, fall-harvested) crop. Sowing extends from May through September (table 4B). Planted area is largely influenced by price relationships with competing crops: (paddy/fodder crops in the north, coarse grains/pulses/sugarcane in central India, and paddy/tobacco/chillies in the south). Despite the current year's low cotton prices (compared to last year), farmers are reasonably well satisfied by returns from cotton as either the prices of competing crops were abysmally low or there were severe marketing problems. The firming of year-end prices also supports cotton planting intentions, causing MY 2002/03 area estimate to decline only marginally.

Cotton area rose 7 percent to an estimated 8.7 million hectares in MY 2001/02 (table 4). The northern states (Punjab, Haryana, Rajasthan) and parts of Gujarat, however, experienced severe pest infestation in August and early September, causing considerable damage. Conditions in other cotton producing areas and later pickings (September onwards) in Gujarat were generally favorable. Arrivals through early May 2002 totaled 14.4 million bales vs. 12.9 million bales for the corresponding period last year. Additional late season arrivals from several states, summer cotton from south India and the September arrival of new crop in the North and in Gujarat are expected to take MY 2001/02 production to about 15.2 million bales. Quality in the central and southern states has been generally satisfactory.

India's cotton yields are among the lowest in the world due to lack of irrigation, limited use of high quality seeds and poor management practices. A multiplicity of seed varieties has led to increasing marketing and processing problems. There also have been reports of farmers being supplied spurious pesticides, and of pests developing resistance to commonly used chemicals due to unscientific/excessive application. Bollworm has become a major problem, especially in the northern states and parts of Gujarat and Andhra Pradesh. Most of the high-yielding, irrigated cotton is produced in these states, and losses from bollworm have significantly affected yields.

Bt Cotton

Having seen the outstanding results produced by the 'illegally' cultivated Bt cotton last season (Gujarat), farmers are excited about this new technology. Industry sources say, however, that there's only enough Bt seed to plant 40-45 thousand hectares this year. While the scramble is on for this seed -- even at three times the price of hybrid varieties -- some farmers are falling victim to hucksters selling spurious or F2 generation seed from last year's illegal crop. Farmers in the north, where the pest problem has been especially severe, do not have access to an approved Bt variety this year, though the government is expected to approve a northern variety for 2003/04. Adoption of Bt cotton in India will hinge upon its cost and performance in the first few seasons, and upon the ability of the government and seed industry to ensure that bogus seed sales do not undermine farmer confidence in the new technology.

ELS Cotton

Reduced plantings of DCH-32 in Karnataka due to unfavorable seeding conditions resulted in a decline in MY 2001/02 ELS production (table 3). MY2001/02 consumption is estimated to have declined to 635,000 bales on depressed export demand for finer yarns and fabric. Only a few domestic varieties, mostly grown in south India, meet the ELS classification: DCH-32, Suvin, TCH-213 and MCU-5 (from some areas). Fiber quality and yield of major ELS varieties have deteriorated in recent years causing marketing problems and lower returns to growers. Efforts by the Cotton Corporation of India and local research institutions to improve the productivity of ELS parent lines have met with limited success as more farmers are shifting toward new coarser (30-32 mm) varieties. ELS is used for the production of quality yarn, fabric and dress material for export, and for a small, but growing, high-end domestic market.

Production Policy

The GOI establishes minimum support prices (MSP) for cotton at the start of each marketing season. The Cotton Corporation of India (CCI), a government parastatal, is responsible for establishing the price support in all states except Maharashtra (where there is a state monopoly cotton procurement scheme). Typically, market prices remain well above the MSP, and CCI operations are generally limited to commercial purchases and sales. However, abnormally low cotton prices in MY 2001/02 forced CCI to undertake MSP procurement in many purchase centers. Futures trading in cotton, which was launched by the East India Cotton Association in 1998, continues to be very limited.

There are various government agencies, research institutions and CCI sponsored schemes for development, production and distribution of seeds, crop surveillance, integrated pest management and extension services. The Cotton Technology Mission coordinates and supports activities to improve cotton yields, reduce cultivation costs and improve quality through the upgrading and modernization of existing facilities.

The government's statutory hank-yarn policy requires that 50 percent of a mill's output of yarn meant for the domestic market be produced in hank yarn form for use by the handloom industry. Export-oriented units are exempt from this obligation. In addition to ensuring an economical supply of hank yarn to the handloom sector, the GOI subsidizes the sale of handloom products. The Technology Up Gradation Fund (TUF), launched in 1999 to modernize the textile industry, provides a subsidy on interest paid on loans for technology up grades.

Consumption

A normal monsoon would assist MY2002/03 cotton consumption both by ensuring comfortable domestic supplies at economical prices, and by augmenting the purchasing power of the rural population for clothing. While manmade fiber has increasingly displacing cotton in recent years, the favorable pricing of cotton may reverse this trend in the forthcoming season. Polyester and poly-blends are popular due to their durability and ease in washing and maintenance in a tropical country such as India. With cheaper cotton, some mills may shift cotton/polyester blend ratios from 55:45 to 65:35.

Further growth in cotton usage will depend upon price ratios of cotton to man-made fibers, and displacement by polyester staple fiber(PSF)/polyester filament yarn(PFY).

Trade

Low prices led to heavy imports, mainly US, in the first half of MY 2001/02. Meanwhile local cotton prices declined sharply under the pressure of imports and fell below world cotton prices by December 2001. Market sources' report that as domestic cotton became more competitive with world supplies in Jan-Apr (2002), imports sagged. However, import prospects have begun improving in the last few weeks due a tapering of domestic arrivals and the firming of domestic prices. Although currently local prices are slightly below international quotations, the shortage of quality cotton has resulted in additional purchasing of foreign cotton by Indian mills, mostly export-oriented units. Consequently, MY 2001/02 imports are estimated at 2.24 million bales.

Price competitiveness has expanded the US market share at the expense of traditional suppliers such as West Africa, CIS, Turkey, etc. The failure of the north Indian crop (short staple) and a strong resurgence in the demand for denim has further enhanced sales of short staple US MOT cotton. Of the estimated 1.2 million bales of US cotton imported by India, 65-70 percent is 1-1/32 inches, 15-20 percent is 1-1/8 inches, and the rest is SJV/Acala and US Pima.

With the July 2001 removal of quota limitations on exports of cotton, export registration and actual shipment data are no longer available. Market sources estimate that 50-60,000 bales were exported through late April, mostly non-spinnable Bengal Desi. There were also some sales of staple cotton to Bangladeshi mills to meet their short term requirements. Additional sales to Bangladesh during the rest of the season are likely to take MY 2001/02 exports to 80,000 bales.

Based on provisionally revised estimates from the Textile Commissioner's Office and DGCIS, MY 2000 imports have been raised to 2.01 million bales and exports to 120,000 bales.

Trade Policy

Since April 2001, quantitative restrictions on imports of all cotton and cotton textile products have been removed (table 22). In the latest budget, peak tariff levels have been lowered from 35 percent to 30 percent for the Indian fiscal year 2002/03 (Apr/Mar) which includes many textile items (ITC/HS 52). Earlier, the basic import duty on raw cotton was increased from 5 percent to 10 percent (Jan 2002).

India removed quota restrictions on the export of raw cotton from July 2001. Earlier, quotas were assigned at the beginning of the season and cotton export contracts had to be registered and certified by the Textile Commissioner's Office. The export of yarn also has been liberalized, with quota limits removed from January 2002. However, exports of yarn to quota countries such as the US and EU will continue to be monitored by the Cotton Textile Export Promotion Council (TEXPROCIL) and is distributed among exporters with 80 per cent of the quota allocated on the basis of past export performance (the remaining 20 percent on a first-come-first-served basis). The export of yarn to quota countries accounts for only 9-10 percent of total yarn exports.

Fabric exports and made-ups to quota countries, also monitored by TEXPROCIL, account for only 12-13 percent and 18-20 percent of the total exports, respectively. Fabric exports to quota countries are based on the following formula: 55 percent on past performance entitlement, 15 percent for export manufacturers investing in imported machinery under the EPCG scheme, 5 percent for power loom manufacturers, 10 percent on past performance to non-quota countries, and the balance on a first-come-first-served basis. Restrictions on fabric/made-ups exports to non-quota countries were removed from April 2001.

In an effort to promote the export of value-added cotton textiles, the Indian government provides certain incentives. EOUs and firms importing against an advance license get a duty drawback (zero duty for EOUs and duty discounts for others) on imports of raw materials for the export of value-added goods. Under the EPCG scheme, imports of capital goods/machinery are allowed at subsidized duty rates against export obligations (zero duty for 100% EOU). In addition, many EOUs and other exporting firms receive exemptions from the export quota limitation. However, no direct subsidies are provided for the export of cotton and cotton textiles.

Marketing

India has a very traditional cotton marketing system. Hand-picked raw cotton is brought by farmers to the market for auction. It is procured by traders who gin, press and bale the cotton, then supply it to the mills directly or through agents. In an effort to support cotton prices, the Cotton Corporation of India and state marketing federations also operate in the market on a commercial basis. Most of the larger traders are in Mumbai, with local offices and agents in major cotton producing and consuming centers. Most Indian mills import their cotton through Mumbai-based traders, though some are exploring possibilities for direct import.

The weaving industry typically uses local cotton yarn/fabric due to the availability of various count yarns at comparatively low prices, lower sensitivity by local users to quality specifications and high tariffs. Indian textile exports are targeted toward the lower end of the international market; more than 85 percent of yarn exports are 40 counts and below. Grey fabric accounts for nearly 37 percent of total fabric exports. In recent years, a few progressive units have begun to focus on exports of finer count yarns, fabric and branded garments for upper-end segments of the world market.