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India

Cotton and Products Annual

India's 2012/13 Cotton Production Forecast Lower

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Report Highlights:
India's 2012/13 cotton production is forecast at 32.3 million 170 kg bales (25.2 million 480 lb bales), down two million bales. Area is expected to drop 10 percent, but will still be the third highest on record. Farmers are likely to switch to competitively-priced alternative crops while seeking to diversify their crop mix and risk in response to India's topsy-turvy cotton export policies. India banned cotton exports on March 5, 2012, and is currently conducting a review of export registrations that took place prior to the ban. Some additional exports are expected, but no new export registrations are being accepted. 2011/12 exports are estimated at a record 11.75 million 170 kg bales (9.2 million 480 lb bales) leading to one of the lowest stocks-to-use ratios in at least the past 20 years. Exports are forecast to drop by nearly 50 percent to 6.0 million 170 kg bales (4.7 million 480 lb bales) in 2012/13.

Background Concerning This Report

The discussion of the cotton situation in this report is based on the following production, supply and demand tables. These tables reflect a revision to the 2009/10 production estimate from 30.5 million 170 kg bales to 29.5 million bales, the current Cotton Advisory Board estimate. This revision has been in place for some time, but was not adopted by USDA Washington analysts. Due to limitations in the GAIN reporting system, we are unable to reflect four years of revised data in a single report. In addition, the GAIN data system was not operational at the time this report was due for submission to USDA Washington. The text of this report will refer to the following tables.

Million 170 kg Bales	**2009/10 (Aug/Jul)**	**2010/11 (Aug/Jul)**	**2011/12 (Aug/Jul)**	**2012/13 (Aug/Jul)**
Area (ha)	10,310,000	11,142,000	12,191,000	10,920,000
Beginning Stocks	11.4	7.9	8.4	6.4
Production	29.5	33.9	34.25	32.3
Imports	0.67	0.24	0.8	0.5
Total Supply	41.6	42.1	43.4	39.2
Exports	8.4	6.6	11.75	6.0
Consumption	25.3	27.1	25.3	26
Ending Stocks	7.9	8.4	6.4	7.2
Disappearance	41.5	42.1	43.4	39.2

Thousand 480 lb Bales	**2009/10 (Aug/Jul)**	**2010/11 (Aug/Jul)**	**2011/12 (Aug/Jul)**	**2012/13 (Aug/Jul)**
Area (ha)	10,310,000	11,142,000	12,191,000	10,920,000
Beginning Stocks	8,919	6,201	6,526	4,960
Production	23,034	26,469	26,743	25,228
Imports	522	187	625	390
Total Supply	32,475	32,858	33,893	30,578
Exports	6,550	5,142	9,175	4,685
Consumption	19,723	21,190	19,758	20,301
Ending Stocks	6,201	6,526	4,960	5,593
Disappearance	32,475	32,858	33,893	30,578
Stocks-to-Use %	31.4	30.8	25.1	27.55

Cotton Production

India's marketing year (MY) 2012/13 (August/July) cotton production is forecast to decrease by two million bales to 32.3 million 170 kg bales (25.2 million 480 lb bales, 5.5 mmt) as area drops to 10.9 million hectares. Gauging farmer planting intentions at this early stage is difficult. However, several factors suggest that 2012/13 cotton area will be lower than the record 12.2 million hectares that were planted in 2011/12.

- The record area planted in 2011 was influenced by the exceptionally high market prices that many farmers received following the harvest of their 2010/11 crop. While current prices are much lower than a year ago, prices are still above support price levels, which suggests that prices may be high enough to generate interest in cotton planting, but low enough to prompt some shift to alternate crops. While the

2011/12 ending stocks-to-use ratio is forecast to drop to one of the lowest levels in at least 20 years, the current ban on exports and lower international prices are expected to depress the market signals that might have led to larger planting.

- If the Government of India increases the minimum support price for cotton significantly (effectively a price floor at which the government-run Cotton Corporation of India would begin procurement operations), planting intentions could shift. It is not clear when the support price will be announced, but the price is often established after farmers have planted their cotton crop.

- Farmers currently have a number of alternate planting options. High prices for peanuts, soybeans, guar and maize (corn) could prompt farmers to shift away from cotton in central, western and northern India. Farmers may also see the higher prices for alternate crops as an opportunity to plant something other than cotton in an effort to improve soil conditions and hedge their risk.

- After three years of disruptive export policies designed to manage domestic cotton supplies and discount Indian cotton prices relative to international prices, farmers may decide to try crops that are subject to fewer policy-driven market disruptions.

While yields have increased from an estimated 300 kg per hectare to 500 kg hectare since the introduction of biotech cotton, there is some concern within the industry that yields have stagnated over the past few years. The increasing prevalence of "sucking insects" such as whitefly, the need for better micronutrient and fertilizer management, the spread of cotton into dry-land areas and seed quality are all cited as factors affecting yields. Given these ongoing challenges, yields are forecast at the five-year average of 500 kg per hectare. India's cotton yields continue to be significantly lower than the global average of 740 kg per hectare. The advent of biotech cotton has helped to improve the predictability and stability of cotton as a crop which has supported the expansion of cotton area in recent years. However, there is increasingly widespread opinion within the cotton industry that India's cotton area will stabilize, at least until there is another significant price or technology shift, within a range of 10-12 million hectares.

The FAS Mumbai estimate of MY 2011/12 production, which differs slightly from the estimate adopted by USDA Washington analysts, is unchanged at 34.25 million 170 kg bales (26.75 million bales, 5.8 mmt). India's Cotton Advisory Board (CAB) is currently estimating the crop at 34.5 million 170 kg bales and the Ministry of Textiles recently estimated the crop at 34.0 million 170 kg bales. The pace of cotton arrivals continues to lag the year-ago pace. As of March 25, arrivals had reached 25 million 170 kg bales compared to 27.5 million a year ago, which leaves an estimated 9.2 million bales with farmers. FAS Mumbai has reported throughout the marketing year on the reasons for the delay and our previous reports can be found at www.fas.usda.gov under "read attaché reports." Weak mill demand, a late harvest, improved farmer incomes and storage capabilities, and weak prices have all contributed to slow arrivals. India's recent March 5 decision to ban exports did little to increase the pace of arrivals. March arrivals were affected when ginners in the two largest producing states of Gujarat and Maharashtra opted to strike for a few days as a form of protest against the export ban. Arrivals in Gujarat and Maharashtra continue to lag significantly behind the year-ago arrival pace.
The quality of the cotton crop may also be affecting the pace of arrivals. There is widespread recognition that micronaire values are in the 3.0 to 3.2 range which is lower than the 3.5 plus values preferred by Indian spinning mills. The lower quality cotton could be slowing the marketing of cotton by farmers seeking to blend higher quality cotton with lower quality cotton in an effort to maximize returns. Farmers may also be disappointed with current price offers for lower quality cotton and are waiting for hoped-for higher year-end prices or further clarity surrounding the export ban. It is possible that there will be unusually large supplies of old crop cotton on farms when the new local marketing year begins in October 2012.

The CAB recently increased its estimate of loose cotton to 2.6 million 170 kg bales (440,000 mt) based on a survey conducted by Ahmedabad Textile Industry Research Association. The previous loose cotton estimate of 1.2 million 170 kg bales had been in place since 2004/05 following a similar survey. The new estimate was incorporated in the 2010/11 and 2011/12 CAB production estimates and will likely be in place until a new survey is conducted at some point in the future.

General Production Outlook: Cotton, a predominantly monsoon-season or kharif crop, is planted from the end of April through September, and harvested in the fall and winter. With the area under Bt cotton and improved varieties now reaching an estimated 92 percent of total area, prospects for future growth in productivity are limited as most cotton is grown under rain-fed conditions and on small farms. There are an estimated 5.5 million cotton farmers with the average farm size of 1.5 hectares which limits their ability to adopt capital intensive production technologies and infrastructure. While some potential exists for a further increase in yields, cotton farmers will have to make significant investments in production technologies for improved management of irrigation, fertilizers, micro nutrients, pests and diseases to boost yields above current levels. While there may be limited opportunities for India to expand the area for cotton production beyond current levels, the increase in production will principally come from higher yields.

India accounts for about a third of global cotton area. Within India, two-thirds of cotton is produced in the central cotton growing zone in the states of Maharashtra, Madhya Pradesh, Gujarat and Odisha where much of the crop is rain fed. The northern zone, which consists of the states of Punjab, Haryana and Rajasthan, produces cotton under irrigated conditions and accounts for about 15 percent of production. In the south, the states of Andhra Pradesh, Karnataka and Tamil Nadu account for 20 percent of production. The Central and Southern zones typically grow long duration cotton that allows farmers to reap multiple pickings or harvests. While the number of pickings has declined as traditional varieties have been replaces by biotech hybrids, farmers can still extract up to five pickings per plant depending on weather conditions. In contrast, the irrigated cotton in the northern zone is mostly a short duration crop that fits into a cotton-wheat cropping system.

Bt Cotton: Since its introduction in 2002, Bt cotton has been a major success story. Bt cotton now accounts for an estimated 92 percent of total cotton area and over 95 percent of India's cotton production. The Government of India has approved six biotech events and more than 300 hybrids for cultivation in different agro-climatic zones. In addition to the approved varieties, there are an estimated 40-50 Bt cotton hybrids that are developed and multiplied informally outside of regulated marketing channels and sold at cheaper rates relative to approved hybrids. One of the results of the adoption of Bt cotton has been a significant shift in the varietal profile and share of different types of cotton being produced in India. Most of the Bt hybrids are of medium and long staple cotton (26 to 32 mm), which is resulting in declining production of short staple (below 22 mm) and extra long staple (35 mm and above). If the current trend continues, the domestic textile industry may seek to increasingly augment their extra long staple and short staple cotton requirements through imports.

Cotton Consumption

MY 2012/13 cotton consumption is expected to increase to 26 million 170 kg bales (18.7 million 480 lb bales, 4.1 mmt). The spinning industry is still in the process of recovering from the losses incurred during 2010/11 when India's cotton export restrictions kept Indian yarn prices below international prices and encouraged record cotton consumption followed by a drop in cotton prices that saddled mills with expensive stocks of yarn and cotton. The losses incurred during that period continue to affect mill operations.

Despite the current difficulties faced by the industry, there is growing optimism that mills are starting to recover or at least improve their balance sheets. Mills are expected to be in a better position to purchase larger volumes of cotton and increase their yarn production. However, consumption levels will ultimately depend on spinning margins. The Indian cotton supply situation is expected to be relatively tight with the 2011/12 stocks-to-use ratio dropping to one of the lowest levels in at least 20 years. If domestic cotton prices rise without a commensurate increase in yarn prices, consumption could be affected. For now, yarn prices have firmed which is helping to improve spinning margins given relatively low and stable cotton prices. On a macro level, India's economy continues to expand at a rate of seven to eight percent annually which bodes well for domestic demand for textiles. The Indian rupee has depreciated by 10-15 percent over the past six months which should help support yarn exports.

MY 2011/12 consumption is estimated at 25.3 million 170 kg bales (18.2 million 480 lb bales, 4.0 mmt). Average monthly consumption is expected to improve slightly to 1.95 million 170 kg bales per month during the February to July period as mills benefit from ready supplies as a result of the current ban on exports. Nevertheless, a number of factors are hampering the spinning industry. Skittish lenders continue to be reluctant to provide operating capital to spinning mills following the losses many mills incurred during 2010/11 due to volatile market conditions. As a result, much of the industry continues to limit cotton purchases to nearby needs and few spinning units have purchased large multi-month stocks of cotton. The spinning industry in Tamil Nadu, which consumes an estimated 40 percent of India's cotton, is expected to face significant power shortages from March through May. Mills have recently had their mandatory power cuts increased from one to two days per week in addition to facing periodic outages. The power cuts are also affecting the spinning sector in Andhra Pradesh. While some spinning units have the option of securing power from private energy providers, alternate power sources are more expensive and will add to operating costs. Power supplies are expected to improve in June when monsoon winds increase the supply of power from Tamil Nadu's large wind energy sector. Mills are also grappling with higher labor costs as job and educational opportunities in and around textile areas improve and laborers pursue alternate employment. Spinning units are recruiting labor from as far away as Bihar and Uttar Pradesh in northern India and wages have increased by as much as 50 percent in some units in an effort to attract workers. Lower cost polyester yarn and filament coupled with the greater use of polyester in textile products is also affecting cotton consumption. While it appears that lower cotton prices and higher yarn prices will help to increase cotton consumption nationwide, fiscal liquidity issues continue to affect much of the industry and consumption in Tamil Nadu could be constrained by as much as 10 percent over the next few months given the power situation.

Cotton Prices: Cotton prices are currently trading at 80 cents per pound ex-gin for medium staple varieties. The ban on cotton exports has had little effect on market prices and most varieties are trading at levels that are close to pre-ban levels. Aided by the weaker rupee over the past six months, Indian cotton prices often trade at a slight discount to international markets, but tend to follow the general direction of international prices. See Table 5 for more price information.

Cotton Trade

Following the dramatic increase in cotton production after the introduction of Bt seeds, India has emerged as one of the world's leading cotton exporters. Higher exportable supplies have intensified the divergent interests of the farm and textile sectors as farmers support exports and higher prices while the textile industry seeks to ensure a ready supply of competitively priced cotton. Growing concerns in the textile industry over rising cotton exports have caused the government to initiate various cotton export control measures over the past three years including the abrupt March 5, 2012 ban on cotton exports.

It is not clear if the current ban will be lifted prior to the start of the 2012/13 marketing year or if the Government of India will develop a new procedure for regulating exports. This report forecasts the expected exportable supply of cotton for 2012/13 at 6.0 million 170 kg bales (4.7 million 480 lb bales, 1.0 mmt) given lower production and stronger forecast consumption. The stocks-to-use ratio for 2011/12 and 2012/13 is expected to be relatively low, suggesting that exportable supplies will be limited. In addition, demand from China, the major buyer of Indian cotton in 2011/12, could be reduced after large 2011/12 purchases to rebuild stocks. Imports in MY 2012/13 are forecast at 500,000 170 kg bales (400,000 480 lb bales, 85,000 mt), mostly of ELS and long staple specialty cottons for high-end cotton textile products for exports and domestic niche markets.

Cotton exports in MY 2011/12 are estimated at 11.75 million 170 kg bales (9.2 million 480 lb bales, 2.0 mmt). While the Government of India announced a cotton ban on March 5, 2012, the government is currently reviewing export registration certificates and "let export orders" (cotton that had effectively been exported at the time the ban was announced) to determine how much additional cotton can be exported. No new additional export registrations are being approved and this report assumes that existing policy parameters will be in place through September 30, 2012, the end of the Indian cotton marketing year. The export estimate of 11.75 million bales is comprised of the following:

- Official data for exports during August and September of 2011 are not yet available, but are currently estimated at 750,000 170 kg bales, higher than the 500,000 bales previously estimated. Preliminary trade data for these two months suggest that exports could have been significantly higher (1.3 million 170 kg bales). However, these data are not always accurate and could be revised significantly. The estimate for these two months will be adjusted once the final official data are available.

- The Government of India has stated that exports from October 1, 2011 through March 4, 2012 were 9.5 million 170 kg bales.

- The Government of India has stated that it will allow cotton that was covered by a "let export order" at the time the ban was announced to be exported. This cotton had effectively left the Indian customs territory and is estimated at 500,000 170 kg bales.

- The Government of India has indicated that an additional 3.0 million 170 kg bales were registered for export at the time the ban was announced. Exporters were required to submit their registration certificates for validation by March 22, 2012. It is not clear how much of this cotton will eventually be exported. However, a long review process will likely leads to lower additional exports as foreign buyers cancel contracts. At this stage, it is estimated that 1.0 million bales of the 3.0 million currently registered for export will eventually be shipped.

While the informal group of ministers from the ministries of commerce, agriculture and textiles were expected to meet by March 23, 2012, to assess the cotton situation, it does not appear that the meeting has taken place. It is not clear when the government will announce the results of its latest assessment of the cotton situation. For more background on India's latest export ban, please visit www.fas.usda.gov and follow the search engine under "Read Attache Reports."

MY 2011/12 cotton imports are estimated higher at 800,000 170 kg bales (625,000 480 lb bales, 135,000 mt) reflecting additional imports from Pakistan by mills in northern India. Cotton from Pakistan is trading at a discount to Indian cotton.

Cotton exports and imports for MY 2009/10 and 2010/11 have been revised to reflect official data from the Ministry of Commerce.

Cotton Trade Policy

As India has emerged as a cotton exporter in recent years, the Government of India has enacted a variety of trade policies to ensure that competitively-priced adequate supplies are available to the textile industry. India's national fiber policy affirms that cotton exports should be limited to the exportable surplus. While the shifting export policies have helped to disrupt international and domestic markets and lower farmer prices for cotton, the Government of India is expected to continue to try and ration the volume of exports. It is not clear if the March 5, 2012, export ban will eventually be lifted before the marketing year ends or if there will be new export control measures in 2012/13. However, given projected ending stock levels, it seems likely that the current ban will be in place for much of the current marketing year.

India's Cotton Export Policies Since 2010

- Prior to April, 2010, exports of raw cotton were allowed without any restrictions or export taxes. Export contracts had to be registered with the Textile Commissioner's Office (TCO).
- On April 9, 2010, the GOI imposed an export tax of Rs. 2,500 ($5.6) per metric ton on raw cotton.
- On April 19, 2010, the TCO suspended registration and exports of raw cotton (GAIN IN1039).
- On May 21, 2010, the government moved exports of raw cotton to the restricted list, thereby imposing licensing restrictions on exports of raw cotton. The Directorate General of Foreign Trade (DGFT) issued export licenses for the unshipped export contracts registered with the TCO prior to April 19, 2010 (GAIN IN1049).
- On August 17, 2010, the government removed licensing restrictions on exports of raw cotton by moving it from the restricted list to the free list and removed export tax. However, all export contracts had to be registered with the TCO (GAIN IN1081).
- On September 18, 2010, the Empowered Group of Ministers established an export quota of 4.3 million bales (5.5 million Indian bales) for Indian marketing year 2010/11 (October/September).
- On October 1, 2010, the TCO commenced export contract registration and closed registration on October 10, 2010 when the quota limit was reached. The TCO issued export authorization for 3.92 million bales to be shipped within the period of November 1 to December 15, 2010.
- On December 16, 2010, the GOI issued a notification stating that exports of cotton were to be registered with the DGFT instead of the TCO.
- On December 16, 2010, the DGFT issued a circular stating the modalities of registration and export of the "unutilized" export quota that could not be shipped before December 15, 2010 (GAIN IN1101).
- In early January, the DGFT registered about 1.48 million 480 lb bales (1.9 million 170 kg bales) of export contracts against the estimated 'unutilized' cotton quota that could not be shipped prior to December 15, 2010, for shipment during January 27-February 26, 2011.
- After February 27, 2011, no further exports of raw cotton were allowed.
- On August 2, 2011, Cotton exports were placed on OGL (Open General License) without any quantitative limits on exports subject to registration of export contracts with DGFT.
- In November 2011, the Government of India lifted the import quota restrictions and allowed duty free import of textile items from the Least Developed Member countries (LDCs) of South Asia Free Trade Agreement (SAFTA) including Bangladesh, Bhutan, Maldives, Nepal and Afghanistan.
- On March 5, 2012, the Ministry of Textiles issued a notification effectively banning all raw cotton exports.
- On March 12, 2012, the Ministry of Textiles issued a notification clarifying the terms of the export ban.

Exports registered but not shipped before March 4, 2012 would be allowed but fresh raw cotton exports were prohibited indefinitely.

- On March 16, 2012, the Ministry of Textiles issued a notification outlining the procedure for scrutiny and revalidation of registration certificates.
- On March 22, 2012, the Ministry of Textiles issued a notification exempting 5,000 bales of Assam Comilla Cotton exports from the ban.
- On March 24, 2012, a trade notice was issued by Ministry of Textiles notifying that priority in scrutiny and revalidation of RCs for cotton exports will be given to neighboring countries such as Bangladesh and Pakistan via land route to ease congestion at land borders.

Cotton Stocks

The MY 2011/12 ending stocks-to-use ratio is expected to drop to one of the lowest levels of at least the past 20 years given strong exports and the current pace of cotton consumption by the textile sector. Stock levels are expected to improve slightly in 2012/13, but will remain relatively tight. While the CAB estimates stock levels, there are no alternate data sources for stocks. USDA stock levels differ from CAB levels because of differing marketing years (USDA August/July vs. CAB October/September). Stocks are held to varying degrees on farm, at gins and at textile mills. Currently, mill stock levels are relatively low (a few weeks to two months of use) given the difficulty mills are facing in securing operating capital from banks. Under less-strained financial conditions, mills could be expected to have three to five months of stocks on hand.

Cotton Production Policy

The GOI establishes minimum support prices (MSP) for cotton at the beginning of every marketing season. The Cotton Corporation of India (CCI), a central government organization, is responsible for price support operations in all states, but is occasionally assisted by state government marketing organizations. Typically, market prices remain well above the MSP, except for the MY 2008/09 when the MSP prices were hiked significantly. Government agencies purchase seed cotton at the MSP, and sell the processed cotton at market prices, and the losses incurred in the operation are borne by the government exchequer. CCI procured a small amount of cotton in Andhra Pradesh, but has not been involved in other procurement operations as market prices have been well above the MSP for much of MY 2011/12. Besides the MSP operations, CCI and state marketing organizations are also involved in purchasing cotton at open market prices for commercial sales. Purchases have been very limited thus far in 2011/12; CCI made limited commercial purchases following the export ban in an effort to support prices.

Various central and state government agencies and research institutions are engaged in cotton varietal development, seed distribution, crop surveillance, integrated pest management, extension and marketing activities. In 1999, the central government launched the Technology Mission on Cotton (TMC) to improve the availability of quality cotton at reasonable prices. The goal of the TMC is to focus on bringing about improvement in the production, productivity and quality of cotton through research, transfer of technology and improvement in the marketing and raw cotton processing sectors.

Marketing

India is expected to continue as an exporter, but exports will likely continue to be managed unless global cotton prices come down significantly. Most exports are expected to be of medium-to-long staple cotton (25 to 32 mm length) to China, Bangladesh and East Asian countries. However, India will likely continue to import ELS and

quality long staple cotton (28-34 mm), with occasional imports of short staple cotton (below 22 mm) when international prices are favorable. The United States has been the leading supplier of cotton to India over the past few years. Indian mills importing U.S. Pima and upland cotton recognize its quality and consistency, and are ready to pay some premium over competing origins. However, U.S. cotton faces competition from neighboring suppliers like Egypt, West Africa, the Commonwealth of Independent States (CIS), and Australia due to their freight advantage and shorter delivery periods.

Value Added Cotton

The textile and clothing industry is largely cotton-based, accounting for 14 percent of total industrial production, 12 percent of total export earnings, four percent of GDP and providing direct employment to over 35 million people and indirect employment to an additional 55 million people as per Confederation of Indian Textile Industry (CITI). After agriculture, the textile industry is India's largest employer.
The "organized" or modern textile sector is dominated by spinning units which, in terms of numbers, account for 80 percent of the "units" in the modern industry. India's textile industry would likely benefit from increased value addition in terms of weaving and garment manufacturing, but the industry continues to focus much of its effort on expansion of the spinning sector. 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 yarn is produced in the organized sector. The weaving industry is mainly supplied by the unorganized sector, with power looms accounting for 63 percent, handlooms for 12 percent, and hosiery units for 21 percent of total cloth production. The organized sector weaving mills account for the remaining 4 percent of cloth production.

While the Government of India has taken steps to limit exports in an effort to provide adequate supplies of cotton to the industry, the industry was hit hard by volatile prices during 2010/11 and continues to struggle with liquidity issues. The textile industry currently has a collective debt of $29 billion and is seeking a debt restructuring from the Reserve Bank of India (RBI). If granted, this would be the second such restructuring granted by the RBI.

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 receive 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 "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). Furthermore, the GOI provides textile exporters with government assistance worth 2 percent of the value of exports to the United States and E.U. in the form of duty free scrips under the Market linked Focus Product Scheme. The scrips can be used for importing goods duty-free and is transferable to other importers.

In 2007, the government launched the Scheme for Integrated Textile Parks to provide the textile industry with world-class infrastructure facilities. The central government also has several ongoing schemes for development of specifics sectors like handlooms, power looms and further details can be found on the Office of Textile Commissioners website. Several state governments supplement the central government efforts on development of textile industry through tax incentives and other schemes in their respective states.
The Technology Upgradation Fund Scheme (TUFS) has provided support for the modernization of the textile industry since 1999 through lower rates of interest and capital subsidies. The scheme is currently suspended pending additional funding. The Ministry of Textiles has recommended a continuation of funding for the scheme, but no new funding was announced in the budget for the upcoming 2012/13 fiscal year. The recently announced Indian budget included several items designed to support the textile industry including a $780

million loan waiver for handloom weavers; the formation of two handloom "clusters" in the states of Andhra Pradesh and Jarkhand, a $100 million scheme to promote geo-textiles in northeastern India; and $14 million to set up a powerloom "cluster" in Maharasthra.

The basic domestic excise tariff will be increased from 10 to 12 percent on all goods, including textiles (not yarn or cotton) during 2012/13 (April/March). The measure is expected to increase the cost of garments for Indian consumers.

Due to warm weather conditions and tradition, cotton is typically the preferred fiber in India. However, poly-cotton blends are becoming increasingly popular due to their durability and ease of maintenance. Industry sources report that higher cotton prices have caused some mills to shift their cotton/polyester blends in favor of polyester. Prices of cotton relative to man-made fibers (MMF) will be key in determining the future growth of cotton usage in India.

According to the Government of India, India ranks third in global exports of textiles and sixth in global exports of clothing with shares of 5.1 percent and 3.2 percent respectively. The United States and Europe continue to be the biggest markets for textile exports. However, uncertainty about the economic situation in the United States and Europe continues to worry textile exporters in India about export prospects in 2012/13. Exports for MY 2011/12 have fared well due to depreciation in the rupee, allowing cotton yarn, made-ups and fabric to be more competitive in international markets.

Cotton textile exports account for 18-20 percent of the total cotton textile production. Cotton ready-made garments account for the major share of cotton textile exports followed by cotton made-ups, cotton yarn and cotton fabric. Cotton yarn exports have been on "Open General License" (not subject to quotas) since April of 2011.

Extra Long Staple Cotton

PSD Table ELS COTTON (1-3/8" or 35mm staple length)						
Units : 480 lbs bales	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Beginning Stocks	51,736	59,545	150,540	216,550	123,694	59,806
Production	156,162	140,546	132,738	171,778	187,394	163,970
Imports	273,284	340,854	339,294	153,098	146,931	163,970
Total Supply	481,182	540,945	622,571	541,427	458,019	387,746
Exports	-	-	-	-	-	-
Domestic Consumption	421,637	390,405	406,021	417,733	398,213	382,597
Ending Stocks	59,545	150,540	216,550	123,694	59,806	5,149

Total Distribution	481,182	540,945	622,571	541,427	458,019	387,746

India's ELS production is forecast to decline slightly as farmers shift to higher yielding long staple varieties. There are very few Indian cotton varieties (DCH-32, TCH-213, and *Suvin* grown mostly in southern India) that meet international ELS specifications. The fiber quality and yields of these varieties have deteriorated in recent years causing marketing problems and lower returns to growers. Therefore, farmers are increasingly shifting to long staple varieties (Bunny, Brahma, and other 30-34 mm cotton varieties), which have higher yields and fewer quality problems. Efforts to improve the productivity of ELS parent lines have met with limited success. With government initiatives in the past 1-2 years, ELS Bt hybrids are being cultivated in a few southern parts of India. The Bt hybrids of medium and long staple varieties are more susceptible to pests and the current yield levels are lower than ordinary varieties. If ELS yield levels reach on par to Bt cotton then, we can expect farmers to opt to grow these varieties. As with any hybrid crop, the ultimate measurement is final output in field.

ELS cotton consumption is forecast marginally lower. India's domestic consumption requirement for ELS cotton is largely met through imports and the United States and Egypt are the major suppliers. ELS cotton is used for the production of quality yarn, fabric, and dress material for a small but growing high-end domestic market segment and for export. Demand for luxury goods has fallen. Mills are still seeking ELS, but only for quantities equal to their orders. Local mills are increasingly using the long staple varieties for blending with imported ELS cotton for the production of quality yarn and fabric.

Table 1: Planting Season, Irrigation & Cotton Type by Major Region

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

Note: - There is a small cotton crop planted in January February in South India

Table 2: Cotton Consumption (Mills and Small Sector Units) by Months
(Million 480 lb Bales)

Month\Year	2007/08	2008/09	2009/10	2010/11	2011/12 (P)
Aug	1.448	1.376	1.451	1.697	1.408
Sept	1.408	1.320	1.428	1.673	1.692
Oct	1.430	1.291	1.415	1.725	1.380
Nov	1.323	1.323	1.442	1.647	1.415
Dec	1.473	1.404	1.522	1.762	1.576
Jan	1.448	1.333	1.526	1.726	1.590
Feb	1.416	1.267	1.469	1.580	
Mar	1.441	1.367	1.562	1.699	
Apr	1.404	1.337	1.603	1.576	

May	1.480	1.392	1.634	1.501	
Jun	1.448	1.406	1.617	1.419	
Jul	1.444	1.482	1.726	1.467	
TOTAL	**17.163**	**16.298**	**18.396**	**19.471**	**9.061**

(P): Provisional estimates

Source: Textile Commissioner's Office, GOI

Table 3: Month-End Prices of Popular Varieties (Rupees per Ton)

Year	Bengal Deshi (below 22mm)	SG J-34 (25mm)	H-4 (28mm)	Shankar-6 (29mm)	MCU-5 (33mm)	DCH-32 (35mm)
2010/11						
Aug	75,080	91,950	92,800	96,170	102,640	122,320
Sept	77,330	99,830	102,640	106,010	115,290	127,950
Oct	78,740	107,700	116,700	118,670	122,320	140,600
Nov	85,770	107,700	112,480	118,100	120,920	140,600
Dec	98,140	117,540	118,670	120,920	123,730	149,040
Jan	119,790	129,910	135,540	137,230	147,630	210,900
Feb	138,910	161,690	157,470	163,100	174,340	233,400
Mar	149,040	175,750	167,880	172,940	182,780	233,400
Apr	133,850	140,600	123,730	143,410	168,720	210,900
May	120,020	119,510	112,480	129,350	149,040	191,220
Jun	122,721	110,196	104,806	116,579	138,960	183,716
Jul	122,310	90,779	86,550	94,390	124,079	164,150
2011/12						
Aug	137,318	95,391	92,163	99,989	121,796	156,065
Sept	142,422	106,903	103,189	110,902	117,614	151,541
Oct	103,332	97,767	111,414	109,980	115,986	139,416
Nov	102,539	86,699	98,819	105,579	108,262	135,667
Dec	96,592	86,621	93,845	97,458	103,383	121,641
Jan	103,651	94,943	99,157	103,089	107,584	137,078
Feb	96,067	85,112	91,573	95,786	na	132,022
Mar	98,033	87,921	93,539	96,910	na	126,404

Source: Cotton Association of India (formerly East India Cotton Association), Mumbai

Table 4: Cotton Exports by Month
(Thousand 480 lb bales)

Month\Year	2009/10	2010/11
Aug	157.6	95.4
Sept	249.8	25.0
Oct	432.8	28.9
Nov	913.1	1424.6
Dec	1210.9	2028.4
Jan	801.1	307.0
Feb	778.1	948.2
Mar	1167.7	18.6
Apr	461.4	5.1
May	3.3	3.8
Jun	91.3	8.9
Jul	152.0	249.1
TOTAL	6418.9	5142.9

Source: Directorate General of Commercial Intelligence, Ministry of Commerce

Table 5: Commodity, Cotton, Export Trade Matrix

Country	**India**		
Commodity	**Cotton**		
Period	**August-July**	**Units**	**480 lb bales**
	2009/10		**2010/11**
USA	909	USA	184
China	3,574,492	China	3,193,791

Bangladesh	593,066	Bangladesh	784,258
Pakistan	653,574	Pakistan	456,293
Taiwan	161,737	Taiwan	154,769
Vietnam	252,048	Vietnam	145,964
Indonesia	300,440	Indonesia	131,717
Malaysia	64,527	Malaysia	66,952
Hong Kong	221,643	Hong Kong	53,232
Turkey	267,453	Turkey	41,966
Thailand	112,569	Thailand	40,087
Total of Top 10	6,201,548	Total of Top 10	5,069,029
Others	226,121	Others	73,768
GRAND TOTAL	6,428,579	GRAND TOTAL	5,142,980

Source: Directorate General of Commercial Intelligence, Ministry of Commerce

Table 6: Commodity, Cotton, Import Trade Matrix

Country	**India**		
Commodity	**Cotton**		
Period	**Aug-Jul**	**Units**	**480 lb bales**
	2009/10		**2010/11**
United States	222,892	United States	76,257
Egypt	106,281	Egypt	71,094
Turkmenistan	10,118	Turkmenistan	5,746
Israel	19,134	Israel	5,686
Australia	7,537	Australia	5,640
Sudan	14,730	Sudan	5,231
China	1,291	China	2,714
Sri Lanka	841	Sri Lanka	1,456
Korea South	-	Korea South	1,419
Japan	436	Japan	1,350
Total of Top 10	383,260	Total of Top 10	176,595
Others	138,758	Others	10,486
Grand Total	522,041	Grand Total	187,094

Source: Directorate General of Commercial Intelligence, Ministry of Commerce

Table 7: Growth of the Indian Textile Industry

Item|Year *	1991/92	1995/96	2000/01	2005/06	2008/09	2009/10	2010/11 (P)	2011/12 (P)
Organized Mills @								
Spinning	846	1294	1565	1570	1653	1673	1692	1761
Composite	271	275	281	210	177	180	186	194

Exclusive Weaving	na	172	203	204	184	183	182	173
Small Scale Spinning Units @	na	750	996	1173	1247	1260	1398	1338
Power Loom Units ('000s) @	na	327	373	433	494	505	513	520
Spindles (millions)@	27.82	31.75	37.91	37.51	41.34	42.04	48.1	43.29
Rotors ('000s)@	113	226	454	520	659	675	750	523
Looms ('000s)@	169	148	140	92	71	71	70	52
Power Loom ('000s) @	na	1372	1661	1943	2205	2246	2278	2299

Note: * - Refers to Indian fiscal Year April/March

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

na - not available

P - Provisional

Source: The Textile Commissioner's Office, GOI

Table 8: Production of Spun Yarn (Fiber-Wise, Million kg)

Year/1	COTTON	BLENDED	100% NON-COTTON	TOTAL
2000/01	2267	646	247	3160
2001/02	2212	609	280	3101
2002/03	2177	585	319	3081
2003/04	2121	589	342	3052
2004/05	2272	585	366	3223
2005/06	2521	588	349	3458
2006/07	2824	635	354	3813
2007/08	2948	677	378	4003
2008/09	2896	655	361	3912
2009/10	3079	707	407	4193
2010/11	3490	796	427	4713
2011 (E)	**3078**	**787**	**456**	**4321**

Note: /1: Refers to Indian fiscal year (April-March)

E: Estimate based on production figures for April 2011 to January 2012

Source: Textile Commissioner's Office, GOI

Table 9: Production of Manmade Fiber (Million Kg.)

Year/1	Viscose	Acrylic	Polyester	Poly-Propylene	TOTAL
2000/01	236.17	99.43	566.42	2.26	904.28

2001/02	185.28	94.84	551.42	2.38	833.92
2002/03	224.61	105.27	582.13	2.46	914.47
2003/04	221.01	117	612.58	2.74	953.33
2004/05	247.95	127.61	644.16	2.88	1022.6
2005/06	228.98	107.81	628.15	3.08	968.02
2006/07	246.83	97.13	791.99	3.52	1139.47
2007/08	279.9	81.23	879.61	3.43	1244.17
2008/09	232.75	79.5	750.12	3.44	1065.81
2009/10	302.09	90.45	872.13	3.38	1268.05
2010/11	305.1	79.48	896.33	3.74	1284.65
2011 (E)	**319.45**	**74.74**	**837.60**	**4.10**	**1235.89**

Note: /1: Refers to Indian fiscal year (April-March)
E: Estimate based on production figures for April 2011 to Jan 2012.
Source: Textile Commissioner's Office, GOI

Table 10: Production of Manmade Filament Yarn (Million Kg)

Year/1	VISCOSE	POLYESTER	NYLON	POLY-PROPLENE	TOTAL
2000/01	55	820	26	18	920
2001/02	48	866	28	20	962
2002/03	51	995	30	24	1100
2003/04	53	1013	31	21	1118
2004/05	54	1004	35	16	1109
2005/06	53	1076	37	14	1179
2006/07	54	1271	32	13	1370
2007/08	51	1420	28	11	1509
2008/09	42	1330	28	15	1416
2009/10	43	1434	30	15	1522
2010/11	41	1462	33	13	1550
2011 (E)	43	1373	28	13	**1457**

Note: /1: Refers to Indian fiscal year 2011/12(April-March)
E: Estimate based on production figures for April 2011 to Jan 2012.
Source: Textile Commissioner's Office, GOI