

Cotton shortage ahead, warns industry

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Despite India being the world's second-largest cotton producer, next only to the US, the import of this natural fibre is likely to set a new record this year, with the government's decision to allow unrestricted export.

Although the quantity of import would depend on the lean-season demand from textile mills, the Confederation of Indian Textile Industry (Citi) believes arrivals into the country would be higher this year due to inadequate availability from domestic sources. According to D K Nair, secretary-general of Citi, India would have to import cotton equivalent to a couple of months consumption, especially in the lean season.

Before the unrestricted export decision, the Cotton Advisory Board's estimate of total imports needed was 0.6 million bales (a bale is 170 kg)

during the cotton year (October 2011–September 2012), as compared to 0.5 million bales in the corresponding period last year. Estimated overall domestic consumption is 25.2 million bales during the current cotton year as compared to 26.7 million bales in the previous one. It is now estimated that the domestic textile industry would require an average of two million bales of imported cotton to meet its requirement this year. Based on industry estimates, the overall quantity of import may surpass the previous record of 2.5 million bales in 2002-03.

"The way the rupee has fared in the past few months, imported cotton would be costlier than the realisation on export from India. Hence, not only cotton and yarn prices would go up, but the cost of readymade garments would also shoot up sharply," said V Y Tamhane, secretary general, Mill Owners Association, a city-based body of textile mills.

Citi has urged the govern-



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ment to cancel its decision and suspend further registration for cotton export. According to S V Arumugam, its chairman, the country does not have any exportable surplus and no further shipments should be permitted from the current year's crop. The CAB has estimated an overall closing stock of cotton at 2.5 million bales this cotton year, as against five million

bales earlier stipulated by the group of ministers on the issue as the minimum closing stock required. The CAB had earlier identified the exportable surplus at 8.4 million bales. Against that, 11.5 million bales had already been shipped before the recent decision on unrestricted export.

The industry was driven into a crisis last year because of wide fluctuations in the prices of both cotton and yarn, and restrictions imposed by the government on cotton yarn export. A majority of textile mills made huge losses and the industry was finding it difficult to repay loans. "In fact, we have requested the government and the Reserve Bank to relax the norms and allow repeated rescheduling of term loans by textile mills to help the industry to tide over the crisis. Mills are not in a position to buy their requirements on a long-term basis because they do not have necessary funds. However, the demand for yarn and other textile products is now recover-

ing and the requirement for cotton in the industry would increase in the coming months. Rupee depreciation has already made cotton exports lucrative and imports costly. With further erosion expected in the rupee, the situation would be precarious during August-September," says Citi. Meanwhile, cotton prices continue to rise in the domestic market. The benchmark Shankar-6 variety of cotton rose today to ₹9,814 a quintal, up one per cent from ₹9,729 a quintal yesterday.

"There is complete uncertainty in the domestic textile industry due to frequent change in government policy. First, the government decided to ban cotton export and then opened up partly and now fully. It should adopt a long-term policy to help formulate a sustainable business decisions for textile manufacturers. Policy decisions on short-term basis may not help the industry at all," said Bharat Malkan, a Mumbai-based cotton yarn trader.