

Textile industry favours export of surplus cotton in 2012-13

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New Delhi, June 4: Alarmed by prospect of a shortage of the raw material in the next marketing year, starting October 1, the textile industry is pitching in for allowing exports of only surplus cotton to ensure steady supplies for cash-starved domestic mills.

Lower-than-expected cotton arrivals in 2011-12, depleting stockpiles due to large-scale exports and apprehensions that cotton farmers in some parts may switch to other crops in 2012-13 following less returns this year have reinforced fears that the textile industry may be forced to pay more for the raw material if shipments are allowed unrestricted in the next year.

"Exports of cotton should be restricted to the surplus assessed by the Cotton Advisory Board. It was felt that the policy should be announced well in advance so that there would be no scope for speculation," SV Arumugam, the chairman of the Confederation of Indian Textile Industry (CITI) told FE. Industry executives have been lobbying to keep adequate year-ending stocks to ensure steady supplies for domestic mills in case of a crop failure. Citing the example of biggest rival China, they argue that despite being the world's largest cotton grower, the communist country doesn't allow exports to offer the advantage to local textile mills.

"It had been decided by the group of ministers in 2010 that the ending stock of cotton should be a minimum of 5 million bales, or for 2.5-month consump-

tion. Based on the year's monthly average consumption, the ending stock needs to be higher than 50 lakh bales," DK Nair, secretary general of CITI said.

Earlier this year, the CAB had estimated year-ending stocks of 2.5 million bales — enough for domestic consumption of just over one month — even if no fresh shipment was allowed beyond the already-approved quantity of 11.5 million bales. Since export restrictions have been lifted now, the

year-ending stock levels are bound to go down further if domestic consumption doesn't fall significantly.

Fears of a less-than-expected cotton crop in 2011-12 have added to uncertainties about domestic supplies next year at reasonable prices. Textile mills are struggling to stock up in bulk as several of them have fallen into a debt trap owing to a sudden fall in product prices after two successive years of relentless rise in raw material costs. Last

week, the government approved restructuring of textile sector loans worth ₹35,000 crore to bail out cash-strapped mills, although a directive by the Reserve Bank of India to this effect is pending.

Cotton arrivals until May 27 just touched last year level of 32.12 million bales after trailing last year's level until then although the production has been estimated to be 5% higher than last year. This means cotton produc-

tion may miss the CAB's estimate of 34.7 million bales for 2011-12, as harvesting season is nearing its end. India, the world's second-largest cotton supplier and grower, produced around 33 million bales in 2010-11 and exported nearly 7.8 million bales.

According to Nair, although the window of importing cotton is available to the mills, there are hundreds of small and medium-sized mills which do not have the expertise of foreign cotton qualities, banking facilities for opening letter of credits and international trading rules. "As such, they will be placed in highly disadvantageous position," he said. Moreover, imports of cotton would be an expensive affair due to the sharp depreciation of the rupee against the dollar, in case there is a shortage next year.

The cotton crisis flared up after March 5 when the commerce ministry banned the fibre's exports to conserve the raw material for cash-starved textile mills for off-season use and avoid a depletion of year-ending stocks. However, the ministries of commerce and textiles lifted the restrictions on cotton exports a week after imposing them as agriculture minister Sharad Pawar criticised the ban, arguing farmers' incomes would dwindle and they shouldn't be asked to subsidise consumers.

CITI has also requested the government to publish the data on registration of export contracts of cotton through the Directorate General of Foreign Trade (DGFT) website as it is already doing in the case of cotton yarn.

