

Weekly Publication of



**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

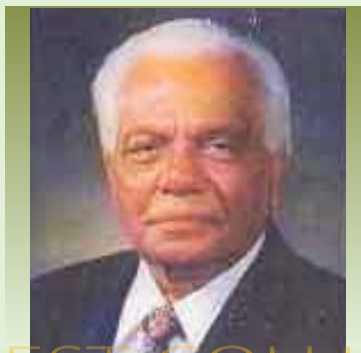
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## Cotton Sector in India – A Veritable Gold Mine of Opportunities

Born on 7th June 1937, Shri Jhunjhunwala did his Diploma in Textile Manufacturing with distinction from VJTI, Mumbai. He joined the family group companies engaged in Raw Cotton business in domestic as well as Exports & Imports, Real Estate Developments, Stock Broking etc. in 1961.

Presently he is the Chairman of his group of companies. He became Director of the Board of CAI in 1985 and was elected as President of the same in November, 2002 and occupied this coveted position till 2007.



### GUEST COLUMN

**Shri. Kishorilala Jhunjhunwala**  
Past President CAI

He has travelled extensively all over the world and attended various conferences. He was a member of Executive Committee of Indian Merchants Chamber, Mumbai and also a Committee member of Western Region of FICCI. He is on the Board of various Private and Public Limited Companies. He is the Trustees of various Charitable Trusts: Rajasthan Vidyarthi Griha, Western India Chamber Welfare Trust, Chairman Trustee of COTAAP Research Foundation and many more. He is the Past President and the Life Member of Lion's Club of Malad-Borivali.

### Importance of Indian Cotton

Cotton has been a very important crop in India since time immemorial. There are references to signify that Indian subcontinent cultivated cotton around 2500 BCE and this important crop has always played a role in the history of our nation. Cotton continued to be the most important source of clothing over the centuries and there are many allusions to rulers of India including the Mughuls promoting the production of this crop in the subcontinent. Cotton was the major part of India's international trade with the subcontinent accounting for 25% of textile trade in early 18th

century. The British who ruled the country, this crop was one of the key commercial attractions to feed their flourishing textile industry in UK. While many restrictions constrained the growth of Indian textile sector during this period, the British empire continued to nurture Indian cotton production, to achieve dominance in the global textile market through this key raw material.

We have come a long way since independence, in reaching the vision of being the largest global producer of this all important natural fibre for man's clothing. Today, we are the largest producer of cotton in the world accounting for

about a quarter of the global production. Cotton together with the textile Industry, is the second largest employment generating sector in the country. What is more important is that this sector has far greater potential to grow, thereby helping to create more employment and income to our population, particularly in rural hinter land, if we have cohesive policy framework, and a supporting stakeholders passion.

### Cotton Production: A Harbinger of a Bright Future for the Textile Sector

The textile industry in India is amongst the earliest in the manufacturing sector and has been a great contributor to the growth of Indian economy. We are the second largest manufacturers and exporters of textiles and apparels globally. The industry employs nearly 12.5 million persons with a contribution of 15% of India’s exports. The textile industry is also the largest agro processing industry with cotton being about 65% of its basic raw material. Thus, adequate availability of quality cotton is the key to growth of the Indian textile Industry.

Indian cotton production and productivity showed tepid growth from our Independence to early part of this century. A host of factors ranging from slow genetic improvements, inadequate water and crop nutrition, apart from pressure of pest and diseases reduced this important cash crop to not so attractive crop category for the farmers. Acreages stagnated around 8 million hectare, with productivity moving up at snail’s pace till 1980’s, as can be seen from Table 1 below. Introduction of cotton hybrids made a difference to production and productivity to some extent till early 2000. However, the real

Table 1

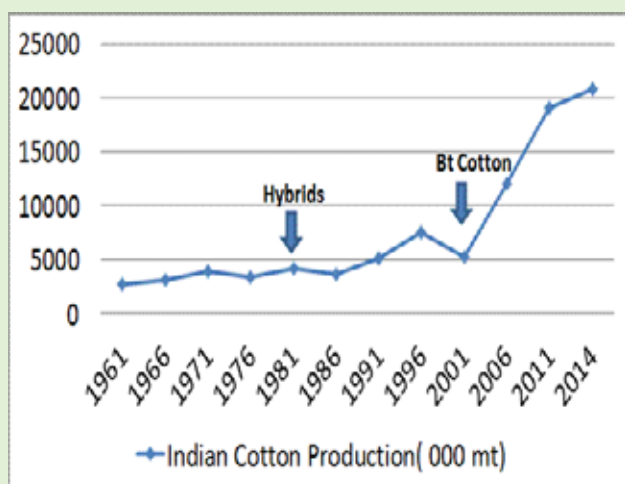
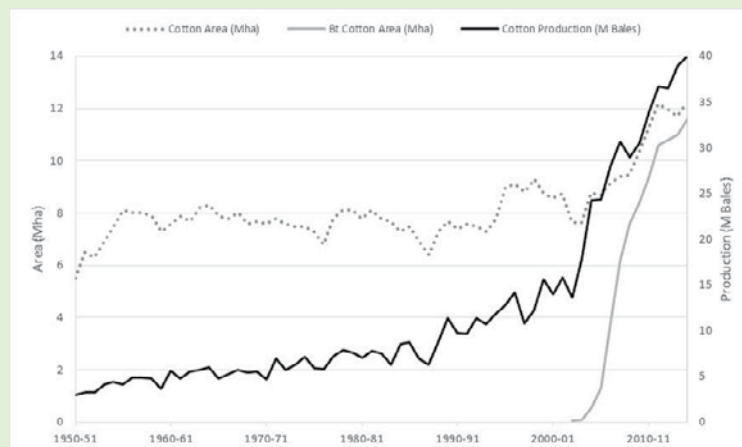


Table 2. Bt Cotton Adoption in India

(Source : ISAAA)



surge in production and also productivity was achieved with the introduction of technology enabled bollworm resistant cotton during early 2000. Table 2 gives the kind of breakthrough in cotton production and yield that was achieved through introduction of this modern technology of seeds to this sector.

The following facts would give better perspective on the positive change that was brought in by this technology.

- It took five decades for cotton productivity to move from less than 100 kg per ha. in 1950s to 300 kg per ha. of lint in early 2000. Compared to this, it took just five years for the yield to move up from 300 kg to over 550 kg per ha of lint, after the introduction of Bt cotton.
- Fuelled by increase in profitability of cotton due to technology, cotton acreages which fluctuated between 7.5 and 8.5 mil. ha. for decades moved to 12.25 million ha. in 2014. Cotton production jumped up from 136 lac bales in 2002 to over 398 lac bales in 2014, making India the leading producer of cotton.
- India’s share in the global cotton production moved up from 12% in 2002 to 25% in 2015.
- India, which was a net importer of cotton in 2002 became the second largest exporter of cotton in the world. Raw cotton exports reached a record level of 10 million bales in 2013.
- Increased availability of quality raw cotton enabled domestic textile Industry to grow

well. Domestic textile Industry consumes over 28 million bales of cotton today, compared to about 15 million bales prior to Bt cotton introduction. Increased cotton textile exports is also earning significant foreign exchange owing to this cotton revolution.

### Future Opportunities for Indian Textile Industry and Cotton Sector.

While we are the second largest manufacturers and exporters of textiles in the world, there exists a good opportunity to become the largest in the next decade, in case we get our act right for the next ten years. Indian textile Industry has to almost double its current growth rate of 5 to 6 percent in recent years in order to achieve this. Such an ambitious plan will require our cotton production to double from our current annual level of about 350 to 375 lac bales to about 700 lac bales. Apart from helping to achieve quantum jump in our textile exports, such a growth would fuel a large-scale employment generation both in textile and cotton industry.

While the cotton sector benefitted a great deal from the ushering in of technology during the last decade, in the last few years, there have been signs of stagnation, even marginal reduction in production. Cotton production which touched 398 lac bales in 2014, has declined to around 350 lac bales during the last couple of years. There have also been instances of pink bollworm developing resistance to technology, possibly due to inadequate resistance management strategy at the field level. While the technology is showing a clear trend of plateauing, given the inadequate policy support from the Government, no new technology appears to be in sight to help our cotton farmers. The large-scale confusion caused by recent policy measures related to pricing of Bt cotton seeds, and protection of Intellectual property rights for research intensive technologies portends a difficult time for the Indian cotton and textile sectors. As these would ultimately damage the country's interest, one would be optimistic that the urgent corrective steps would be taken to encourage greater science applications in Indian cotton production.

What is very heart warming is that we have a large opportunity to improve our cotton production and thus, help the growth of Indian textile sector. Indian cotton productivity

currently at about 550 kg of lint per hectare is much less than the global average of about 760 kg. Other leading producers, Australia at 2170 kg, China at 1740 kg, Brazil at 1540 kg, and USA at 950 kg per hectare have achieved greater yield, showing us the good opportunity for improvement with better technologies and cultivation practices. Apart from making available the latest seed technologies, India also needs to improve our irrigation infrastructure for cotton production. For instance, two large states- Maharashtra and Telangana accounting for about half of the national acreage under cotton - grow cotton in predominantly under rain fed condition, while the state of Gujarat which grows cotton with over 50% of the area under irrigation has substantially better yield compared to these two states. Apart from yield, we also need to improve quality of our lint, by helping to move the harvesting under mechanisation, and better quality awareness creation further down the cotton value chain.

In sum, increasing the cotton production and productivity with a supportive policy framework will give a large impetus to growth of Indian cotton Industry benefitting all the stakeholders. The noble goal of our Government to double the farmers' income will be eminently supported by measures to improve farm level productivity of cotton as enunciated earlier. Such an improvement would generate a good amount of rural employment, given that cotton is one of the most labour intensive crops. The growth of textile Industry will help to create further employment in this important manufacturing sector. Given the focus of the current Government in generating greater employment opportunities, this will be very helpful to the cause. A competitive textile industry would be able to improve its share in global exports substantially, thereby adding to the growth of the economy.

We are hopeful that all the stakeholders together in this Industry will be able to work together to create the above enabling environment, for achieving the premium position for Indian Cotton Industry during next decade.

*Courtesy: Cotton India 2018 (Domestic)*

*(The views expressed in this column are of the author and not that of Cotton Association of India)*

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# COTTON EXCHANGE MARCHES AHEAD

Madhoo Pavaskar, Rama Pavaskar

## Chapter 10 Looking Ahead

### Towards Centenary

The East India Cotton Association has marched a long way since its Diamond Jubilee in the early 1980s. At that time, it was battling against the threat of take-over of the cotton trade by the State on the one hand, and the onslaught of Prince Charming of man-made fibres on King Cotton on the other. The survival of the Cotton Exchange itself seemed to be at stake then. Yet, not only did the Exchange come out triumphantly through those turbulent times, but had grown since then in stature and status as it celebrated its Platinum Jubilee in 1997-98 and entered the New Millennium in A.D. 2001.

While the state intervention and regulations in cotton are slowly withering away, the realm of King Cotton in India has extended to more than double its size, inspite of the inroads made into it by Prince Charming. Consequently, though the share of cotton in the total fibre consumption by the country's textile industry has shrunk to 65 per cent from 80 per cent, cotton merchants end up in handling twice the quantity of cotton they used to deal in some two decades and a half back. And with the onset of futures trading in cotton, the Fortune's Wheel has now decisively turned in favour of the Cotton Exchange.

Although in this happy hour, it may appear rather foolhardy to look askance at the future of the Cotton Exchange, it seems still interesting to speculate on its future, as the Exchange marches towards its Centenary in A.D. 2021. After all, the future has its own fascination. Small surprise, scientists and sorcerers, astronomers and astrologers, believers and non-believers are all equally keen to know the future.

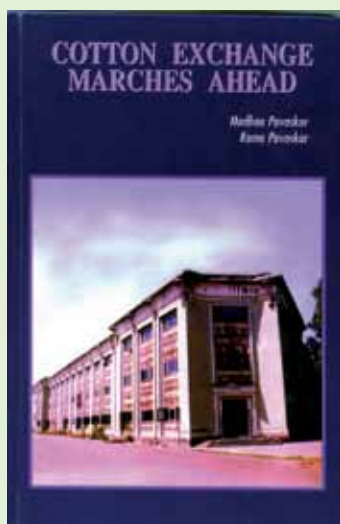
True, the year 2021 is still far away for the Cotton Exchange. But in the life of an institution

that has already crossed 80 years, the next 20 years is but a small step. While the Cotton Exchange appears destined to rise like the Phoenix through the present century, one needs to perceive what is in store for it in the near future. After all, the Exchange needs to prepare its plan for such a future, based on a proper perception.

### Futuristic Scenario

As the International Cotton Advisory Committee has observed in one of its documents, "The paramount question is whether cotton will continue its onward march, the first step of which was taken around nine millennia ago and which gained considerable speed during the latter half of the present century, or whether it will suffer a setback to make a practical retreat, or whether cotton will be vanquished by its adversaries". The future of the Cotton Exchange is unmistakably linked to the survival of King Cotton against its main rival, Prince Charming of man-made fibres. To peep into the prospects of the Cotton Exchange in its Centenary year, it therefore seems essential to draw a futuristic scenario on the likely pattern of consumption of fibres by the textile industry in India during the next two decades.

The task of drawing such a scenario is not easy. As it is, future is always uncertain and full of innumerable imponderables and unforeseen riddles. More distant the future, greater is the uncertainty. Technologies are changing rapidly in all areas, bringing out sweeping structural transformation all around. In such a dynamic situation, hardly any methodology exists for drawing distant futurological scenarios. The scenario of fibre consumption by the Indian textile industry drawn here therefore relies on somewhat simplistic assumptions and judgments as can be visualised at present rather than any sophisticated statistical technique. Obviously,



such a scenario is more indicative and illustrative than precise and perfect.

### Population Growth

The demand for fibres is a derived demand, depending on mainly the domestic demand for cloth. The overall domestic demand for cloth, in turn, depends on the size of population and the per caput demand for cloth. Therefore, to assess the possible demand for fibres, it is first necessary to make appropriate projections of population and the per caput demand for cloth.

According to the 2001 Census, India's population was 1027 million, disclosing a compound annual growth of 1.95 per cent over the decade as against 2.16 per cent during the decade 1981-91. Assuming that this trend continues, the population growth may be expected to drop to an average of 1.75 per cent per annum till A.D. 2010, and still further to 1.5 per cent thereafter. India's population may thus be projected to reach around 1220 million in the year 2010 and as much as 1415 million in the Centenary Year of the Cotton Exchange.

### Demand for Cloth

The per caput availability of cloth (excluding that of wool and silk) in India averaged around 29.9 metres a year for the triennium ending 1999-2000, compared to 22.2 metres a decade earlier, revealing a compound growth of 3 per cent annum. While the demand for cloth is inversely related to its price, its association with income is positive. Since in real terms (i.e. after being adjusted for inflation), the cloth prices have remained more or less stable over the past decade, the growth in demand for cloth during the decade ending 1999-2000 seems to have been influenced solely by the growth in income of India's population. With the per caput income rising at nearly 3.7 per cent per annum between 1989-90 and 1999-2000, it appears that the income elasticity of demand for cloth was marginally less than unity during that decade.

But in consonance with the economic law of diminishing marginal utility, as the cloth consumption increases, the income elasticity slides. However, with the planned growth in national income of 6 per cent, or even more, the per caput income growth may also be expected to exceed 4 per cent per annum through the next two decades. Hence, even if the income elasticity of demand for cloth declines, it seems reasonable

to assume that the demand for cloth may continue to grow at 3 per cent per caput per annum in the future. The per caput demand for cloth may therefore be expected to expand to not less than 40 metres in 2010-11, and nearly 55 metres (which is very close to the current world average) in the Centenary Year of the East India Cotton Association.

### Crop Estimates

In the total fibre consumption by the textile industry, the cotton consumption, by and large, depends on mainly its production within the country, free imports under OGL notwithstanding. Therefore, to assess the pattern of fibre consumption in the future, it appears necessary to estimate the cotton crop over the next 20 years.

The country's annual cotton production has increased to 15.13 million bales during the three years ending 2001-02, from 8.07 million bales in the corresponding triennium two decades earlier, clocking an average annual growth of 3.2 per cent. The average yield of cotton per hectare over the same period improved from 172 kg. to 303 kg., representing thereby a compound growth of 2.7 per cent per annum. The total cotton production growth includes the growth in area under cotton of approximately 0.5 per cent a year.

It now appears that there may not be much scope for further expansion in the area under cotton in the future, because the country needs more land to sow other essential edible crops like foodgrains and oilseeds to meet the growing food requirements of the ever increasing population. It may therefore be reasonable to believe that the area under cotton will remain unchanged around the present 9 million hectares for a long time to come.

Even assuming a possible technological breakthrough in cotton cultivation over the next two decades, it is likely that the yield growth in cotton may also fall slightly from that witnessed during the last two decades, which is calculated on a relatively low absolute base towards the end of 1980s. The liberal imports of cotton and textiles under the ensuing WTO regime may also dampen to some extent the domestic cotton prices and depress, as a result, the growth in cotton productivity and production. On this reckoning, the yield growth may well be assumed a little

lower at 2.5 per cent per annum for the future. That implies an average yield of 375 kg. of cotton lint per hectare by 2010-11, which is close to the current average yield in Asia and Oceania, but will still be lower than that at present in North America and Western Europe as well as in the U.S.S.R. and China. The average cotton yield in India may, however, be projected to go up further to 480 kg. per hectare in the Centenary Year of the East India Cotton Association.

As it is, notwithstanding the growing overseas competition in the cotton and textile markets, the cotton yields in the country may be expected to improve in the coming years not only in keeping with the past trend, but also because of the anticipated expansion in irrigated area, the universal use of certified seeds, the application of optimum fertiliser dosage, the proper pest and disease control management and the adoption of better cultivation practices in general, following the advent of Technology Mission on Cotton. Technological breakthrough, and especially the spread of pest resistant Bt cotton over a large area in the future, may even give a further fillip to improvements in the yields.

Be that as it may, even if our yield projections, based on more conservative growth rates, were realised, India's cotton production might reach 20 million bales by the year 2010-11 and nearly 25 million in the Centenary Year of the Cotton Exchange. In fact, with some more efforts, it should not be difficult for the country to achieve a production level of 22.5 million bales in 2010-11 and 30 million in 2021-22. These projections are by no means unrealistic and appear to be within the realm of possibility. To be sure, it is not unlikely that India may lead the rest of the world in both area and production of cotton when the Cotton Exchange celebrates its Centenary.

### Choice of Fibres

Based on the projected population and the per caput demand for cloth, the total fibre (both cotton and man-made) needs of the textile industry in the country will be about 6.5 million tonnes in 2010-11 and almost 10 million in the Centenary Year of 2021-22, assuming that the prevailing norms of conversion of cotton and man-made fibres into their respective fabrics remain unchanged over the next 20 years. If the norm improves over time, as it may, as a result of the possible reduction of contamination and waste from cotton before it reaches the gates of spinning mills, the aggregate

fibre requirements by the industry may turn out to be somewhat less.

True, in the post-WTO era, following the removal of all quantitative restrictions and eventually even the tariff barriers, India may be flooded to some extent with cheaper textiles from China and the Far East. At the same time, however, India should also be in a position to export some of its superior textiles, especially of cotton and blended fabrics, to the West. Such textile exports may, by and large, be almost equivalent in volume with the imports. On this reasoning, it seems fair to believe that the aggregate fibre consumption by the textile industry in the country will be as projected in the previous para.

The composition of the fibre consumption by the textile industry depends essentially on the relative competitiveness of different fibres. As textile mills do not owe allegiance to any specific fibre, their choice of fibres is determined by such considerations as price, availability, processing costs, compatibility with its equipment and, above all, the consumer preference for fabric. The consumer preference, in turn, is influenced by price, quality and durability of the fabric made from alternative fibres or through blending. In the short run, fashion also affects the consumer preference. However, fashion is but a fad, and being of a transient nature, it little influences the demand in the long run.

If cotton were to withstand the competition from man-made fibres, more especially polyester, it must strengthen its competitiveness by improvement in its quality and reduction in its price. More determined efforts are specifically needed to eliminate contamination in Indian cotton at all stages - from fields to factories. Hopefully, with the appropriate government assistance it would not be unreasonable to expect significant improvements in storage practices, ginning and baling processes and transportation methods so as to avoid contamination through the first two decades of the 21st century. The rise in cotton yields as projected would also necessarily result in the fall in production costs and, consequently, the price of cotton also. It therefore seems fair to assume that cotton will be as competitive as man-made fibres over the next quarter of a century. The demand for cotton by the textile industry in the country will then depend mainly on its actual availability.

*(To be continued...)*



**Since 1921,**  
**we are dedicated to the cause of Indian cotton.**  
 Just one of the reasons, you should use our Laboratory Testing Services.

The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

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**Current locations :** • Maharashtra : Mumbai; Yavatmal; Aurangabad • Gujarat : Rajkot; Kadi; Ahmedabad • Andhra Pradesh : Adoni  
 • Madhya Pradesh : Khargone • Karnataka : Hubli • Punjab : Bathinda • Telangana: Warangal, Adilabad

#### UPCOMING LOCATIONS

• Telangana: Mahbubnagar



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UPCOUNTRY SPOT RATES							(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [ By law 66 (A) (a) (4) ]							Spot Rate (Upcountry) 2018-19 Crop May 2019					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPI	13th	14th	15th	16th	17th	18th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11782 (41900)	11782 (41900)	11782 (41900)	11782 (41900)	11782 (41900)	11782 (41900)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	9758 (34700)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	10854 (38600)	10798 (38400)	10798 (38400)	10798 (38400)	10798 (38400)	10798 (38400)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	11389 (40500)	11332 (40300)	11332 (40300)	11332 (40300)	11332 (40300)	11332 (40300)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	12710 (45200)	12570 (44700)	12598 (44800)	12598 (44800)	12626 (44900)	12598 (44800)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	11417 (40600)	11360 (40400)	11360 (40400)	11360 (40400)	11360 (40400)	11360 (40400)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	11698 (41600)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12823 (45600)	12654 (45000)	12682 (45100)	12682 (45100)	12710 (45200)	12682 (45100)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	11698 (41600)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	11979 (42600)	11923 (42400)	11923 (42400)	11923 (42400)	11923 (42400)	11923 (42400)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	12879 (45800)	12710 (45200)	12738 (45300)	12738 (45300)	12766 (45400)	12738 (45300)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	12345 (43900)	12232 (43500)	12232 (43500)	12232 (43500)	12232 (43500)	12232 (43500)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	12345 (43900)	12260 (43600)	12260 (43600)	12260 (43600)	12260 (43600)	12288 (43700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	12570 (44700)	12541 (44600)	12541 (44600)	12541 (44600)	12541 (44600)	12570 (44700)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12598 (44800)	12513 (44500)	12513 (44500)	12513 (44500)	12513 (44500)	12541 (44600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12991 (46200)	12907 (45900)	12907 (45900)	12935 (46000)	12935 (46000)	12963 (46100)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	13160 (46800)	13160 (46800)	13160 (46800)	13188 (46900)	13188 (46900)	13188 (46900)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	13441 (47800)	13441 (47800)	13441 (47800)	13469 (47900)	13469 (47900)	13469 (47900)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15213 (54100)	15213 (54100)	15213 (54100)	15213 (54100)	15213 (54100)	15213 (54100)

(Note: Figures in bracket indicate prices in Rs./Candy)