USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/12/2005

GAIN Report Number: IN5051

India

Cotton and Products

Annual

2005

Approved by:
Chad R. Russell
U.S. Embassy, New Delhi

Prepared by:
Santosh Kr. Singh

Report Highlights:
India's MY 2005/06 cotton production is forecast to decline to 19.0 million bales (170 kg) on expected lower yields and area. This will be India's second highest annual production after the MY 2004/05 record production of 23.2 million bales. Consumption is forecast to increase to 20.4 million bales on expected low prices and strong demand for textiles. Cotton imports are projected lower at 700,000 bales, and exports at 1.0 million bales on comfortable domestic supplies.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
New Delhi [IN1]
[IN]

Table of Contents

SECTION I: SITUATION AND OUTLOOK

Note: All data in the narrative refer to Indian bales of 170 kilograms each.

Production

India's MY 2005/06 (Aug-Jul) cotton production is forecast at 19.0 million bales (including 1.2 million bales of loose cotton), which is lower than last year's record 23.2 million bales, on expected lower yields and planted area. Production of extra long staple (ELS) cotton is forecast to decline to 180,000 bales, as some ELS area is expected to shift to non-ELS, but higher-yielding, hybrids. Total planted area is forecast to decline to 8.8 million hectares, mainly in Maharashtra and Andhra Pradesh (see Table 4), largely due to an anticipated shift toward competing crops (sugarcane in Maharashtra; tobacco and chilies in Andhra Pradesh) in response to their higher prices vis-à-vis cotton. In other cotton-growing states, planted area is forecast at the same level or marginally higher than last year, as a lower price for cotton was largely offset by higher yields, thus stabilizing net farm returns.

Bt (Bacillus thuringiensis) cotton planting is expanding rapidly, with MY 2005/06 planting projected at 1.6 million hectares (900,000 hectares of government-approved varieties and 700,000 hectares of illegal varieties), compared to 1.1 million hectares (525,000 approved and 600,000 illegal) in MY 2004/05. Since Post's last Cotton Annual, the Government of India (GOI) has approved commercial cultivation of 14 new Bt hybrids for 2005/06, including six hybrids for the northern states for the first time (see Section III). Until last year, the GOI had approved only four Bt hybrids for the central and southern states, and none for northern states. Besides the approved Bt hybrids, there are several unapproved Bt varieties illegally planted in several states.

After two consecutive years of reduced growth, Indian cotton textile production (See Table 10) rebounded in Indian fiscal year (IFY) 2004/05 (April-March), and is forecast to grow by another five to six percent in IFY 2005/06 due to low cotton prices and strong domestic and export demand.

Consumption

MY 2005/06 cotton consumption is forecast to rise by six percent to 20.4 million bales (mills 17.4 million bales, small spinning units 1.6 million bales, and non-mill 1.4 million bales), due to anticipated low domestic cotton prices and continued strong domestic and export demand for textiles. Expected low cotton prices are attributed to large carryover stocks combined with above-normal production, although if international cotton prices rise, so would domestic prices. Given the comfortable cotton supply situation and a favorable relative price of cotton vis-à-vis man-made fiber (MMF) and yarn (Table 17), cotton's share in total fiber use by the textile industry is forecast to increase to 58 percent in IFY 2005/06 (Table 16). The clothing demand for the Indian population is forecast to grow by five to six percent in IFY 2005/06, supported by likely strong economic growth (6.7 percent)[1] and the 1.6 percent[2] growth in population.

Trade

Despite comfortable domestic supplies, India will continue to augment its requirements for ELS and long-staple quality cotton through imports. Due to large carry-over stocks and the forecast comfortable production, MY 2005/06 cotton imports are forecast to decline to

[1] Source: National Council of Applied Economic Research
[2] Source: Economic Survey, 2004-05

700,000 bales, consisting largely of ELS (380,000 bales) and longer-staple specialty cotton. MY 2005/06 cotton exports are forecast at 1.0 million bales, although this will largely depend on world prices vis-à-vis Indian prices.

The MY 2004/05 imports have been raised to 900,000 bales and exports lowered to 1.0 million bales, both based on the latest official and trade data (see Tables 7-9). Despite abundant domestic supplies, weak international prices spoiled export prospects. Higher imports are attributed to a spurt in contracting for ELS and long-staple specialty cotton during the early part of the season, when international prices were favorable.

Based on official data for the first six months of IFY 2004/05, cotton textile exports for the full IFY are estimated to increase by eight percent over IFY 2003/04's level of $3.5 billion. Anticipated low prices for cotton and strong export demand are expected to drive Indian cotton textile exports higher by five to eight percent during IFY 2005/06. Industry sources are optimistic about India's export competitiveness in the post Multi-Fiber Agreement (MFA) era, because they believe that they can capture an increased share of global textile trade.

Marketing

India is a growing market for ELS and other superior quality staples (20-34 mm), with occasional imports of medium staple. Most importing mills are willing to pay a premium of five to eight percent for foreign cotton due to its higher quality (less trash, uniform lots, higher ginning outturn), better credit terms (3 to 6 months vs. 15 to 30 days for local cotton), and a staggered delivery over longer periods at the contracted price. Indian mills importing US Pima and US upland cotton have been appreciative of its quality and consistency compared to cottons from other origins. Trade servicing missions by the Cotton Council International and SUPIMA have led to better appreciation for the US cotton by Indian mills, with the result that the United States has emerged as the leading supplier of cotton to India over the past few years. However, in order to counter Egypt, West Africa, the Commonwealth of Independent States (CIS) countries, and Australia, all of whom enjoy freight advantages and shorter delivery periods due to their geographic proximity to India, the US cotton prices must remain competitive.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (Metric Tons), PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES)	(METRIC TONS)				
		2003		2004		2005	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		8/2003		8/2004		8/2005	(MONTH/YEAR)
Area Planted	7785000	7785000	9000000	9000000	0	8750000	(HECTARES)
Area Harvested	7785000	7785000	9000000	9000000	0	8750000	(HECTARES)
Beginning Stocks	780767	780767	884188	897790	0	1543790	METRIC TONS
Production	3004626	3004626	3919078	3944000	0	3230000	METRIC TONS
Imports	174181	170704	130636	153000	0	119000	METRIC TONS
TOTAL SUPPLY	**3959574**	**3956097**	**4933902**	**4994790**	**0**	**4892790**	METRIC TONS
Exports	136079	119000	195954	170000	0	170000	METRIC TONS
USE Dom. Consumption	2727147	2727147	3044899	3060000	0	3230000	METRIC TONS
Loss Dom. Consumption	212160	212160	221000	221000	0	238000	METRIC TONS
TOTAL Dom. Consumption	2939307	2939307	3265899	3281000	0	3468000	METRIC TONS
Ending Stocks	884188	897790	1472049	1543790	0	1254790	METRIC TONS
TOTAL DISTRIBUTION	**3959574**	**3956097**	**4933902**	**4994790**	**0**	**4892790**	METRIC TONS

Note: Production figures for MY 2003, 2004, and 2005 include 1.1 million bales (170 kg), 1.2 million bales, and 1.2 million bales, of loose cotton, respectively.

Table 2: Commodity, Cotton (480 lb bales), PSD

PSD Table							
Country:	India				Conver-sion	0.004592917	
Commodity:	Cotton						
		2003		2004		2005	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		8/2003		8/2004		8/2005	(MONTH/YEAR)
Area Planted	7785000	7785000	9000000	9000000	0	8750000	(HECTARES)
Area Harvested	7785000	7785000	9000000	9000000	0	8750000	(HECTARES)
Beginning Stocks	3586	3586	4061	4123	0	7090	1,000 480lb bales
Production	13800	13800	18000	18114	0	14835	1,000 480lb bales
Imports	800	784	600	703	0	547	1,000 480lb bales
TOTAL SUPPLY	**18186**	**18170**	**22661**	**22941**	**0**	**22472**	1,000 480lb bales
Exports	625	547	900	781	0	781	1,000 480lb bales
USE Dom. Consumption	12526	12526	13985	14054	0	14835	1,000 480lb bales
Loss Dom. Consumption	974	974	1015	1015	0	1093	1,000 480lb bales
TOTAL Dom. Consumption	13500	13500	15000	15069	0	15928	1,000 480lb bales
Ending Stocks	4061	4123	6761	7090	0	5763	1,000 480lb bales
TOTAL DISTRIBUTION	**18186**	**18170**	**22661**	**22941**	**0**	**22472**	1,000 480lb bales

Note: Production figures for MY 2003, 2004, and 2005 include 1.1 million bales (170 kg), 1.2 million bales, and 1.2 million bales of loose cotton, respectively.

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

Units : Metric Tons	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	(Final)	(Final)	(Final)	(Final)	(Revised)	(Forecast)
Beginning Stocks	13474	12114	9564	2764	1064	6164
Production	56440	53550	30600	28900	34000	30600
Imports	28900	25500	42500	37400	59500	64600
Total Supply	98814	91164	82664	69064	94564	101364
Exports	0	0	0	0	0	0
Domestic Consumption	86700	81600	79900	68000	88400	96900
Ending Stocks	12114	9564	2764	1064	6164	4464
Total Distribution	98814	91164	82664	69064	94564	101364
Units : 480 lbs bales	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	(Final)	(Final)	(Final)	(Final)	(Revised)	(Forecast)
Beginning Stocks	61887	55641	43928	12696	4888	28312
Production	259229	245955	140546	132738	156162	140546
Imports	132738	117122	195203	171778	273284	296708
Total Supply	453854	418717	379677	317212	434333	465566
Exports	0	0	0	0	0	0
Domestic Consumption	398213	374789	366981	312324	406021	445062
Ending Stocks	55641	43928	12696	4888	28312	20504
Total Distribution	453854	418717	379677	317212	434333	465566

Source:
1. MY 2000/01, 2001/02 and 2002/03 production figures as reported by the East India Cotton Association (EICA).
2. Other estimates derived 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	Final	Revised	Projected
STATE		1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Maharashtra	Area	3199	3254	3077	2980	2800	2766	3050	2950
	Production	2650	3650	2050	3425	2600	3100	5200	3500
	Yield	141	191	113	195	158	191	290	202
Gujarat	Area	1607	1516	1615	1687	1634	1647	1995	2000
	Production	4750	2850	2400	3250	3050	5000	6300	5500
	Yield	502	320	253	328	317	516	537	468
Madhya Pradesh	Area	501	525	506	623	545	575	585	560
	Production	1875	1550	1750	2000	1800	1950	1600	1750
	Yield	636	502	588	546	561	577	465	531
Punjab	Area	562	475	474	600	449	452	510	550
	Production	500	800	900	925	750	1100	1650	1200
	Yield	151	286	323	262	284	414	550	371
Haryana	Area	582	546	555	610	519	526	650	650
	Production	700	1050	1000	550	875	1150	1500	1200
	Yield	204	327	306	153	287	372	392	314
Rajasthan	Area	645	583	510	347	386	335	260	370
	Production	1150	1300	1050	700	500	850	1050	900
	Yield	303	379	350	343	220	431	687	414
Andhra Pradesh	Area	1278	1040	1022	1002	803	825	1145	900
	Production	2500	2200	2500	2675	1975	2600	3250	2500
	Yield	333	360	416	454	418	536	483	472
Karnataka	Area	608	600	560	591	393	500	545	550
	Production	875	800	800	700	500	400	850	700
	Yield	245	227	243	201	216	136	265	216
Tamil Nadu	Area	243	185	193	200	85	103	165	150
	Production	550	550	550	500	300	350	500	450
	Yield	385	505	484	425	600	578	515	510
Others	Area	62	67	64	90	53	56	95	80
	Production	125	150	100	75	100	100	100	100
	Yield	343	381	266	142	321	304	179	213
All-India	Area	9287	8791	8576	8730	7667	7785	9000	8760
	Production	15675	14900	13100	14800	12450	16600	22000	17800
	Yield	287	288	260	288	276	362	416	345

Note: Production figures for 1998/99 – 2005/06 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 STATUS
North	Punjab, Haryana, Rajasthan	Medium & Short Staple	End April-May/ Largely Irrigated
Central	Gujarat, Maharashtra, Madhya Pradesh	Medium & Long Staple	Mid June-July (after onset of monsoon)/Largely rainfed
South*	Andhra Pradesh, Karnataka, Tamil Nadu	Long & 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 (August-July Marketing Year)
(100,000 bales of 170 kg each)

Month\Year	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Aug	12.45	12.64	12.40	12.65	11.31	12.86
Sept	12.11	12.41	12.05	12.39	11.07	12.49
Oct	12.20	12.00	11.83	12.45	10.92	12.97
Nov	11.62	12.45	11.48	11.69	11.9	12.49
Dec	12.85	12.93	12.54	12.62	12.97	**13.83**
Jan	12.80	12.58	12.54	12.38	12.95	**13.65**
Feb	12.38	11.74	11.71	11.41	12.44	
Mar	12.89	12.90	12.37	12.21	13.04	
Apr	12.22	12.41	12.25	11.71	12.52	
May	12.79	12.64	12.32	12.37	12.75	
Jun	12.75	12.50	12.16	11.40	12.61	
Jul	13.04	12.76	12.70	11.80	12.94	
TOTAL	150.10	149.96	146.35	145.08	147.42	78.29

Note: Figure in bold are provisional estimates.

Source: Textile Commissioners' Office, Mumbai.

Table 6: Month-End Prices of Popular Varieties
(Rupees per Ton)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2003/04						
Aug	39090	60460	61580	63540	68900	87560
Sept	37970	59060	63820	65520	70300	87180
Oct	39090	60460	61580	63540	68900	87560
Nov	37110	55960	58220	61320	65540	87990
Dec	39630	57920	61300	63840	66100	85750
Jan	42740	62420	64940	67480	71410	91390
Feb	43860	59050	62980	66080	70290	88590
Mar	44420	59900	62140	66640	70290	85790
Apr	43590	59900	62140	65800	71700	85790
May	44430	61580	62710	67490	71700	85790
Jun	45560	59060	62150	65800	71710	85790
Jul	48370	60740	62710	66370	71710	85790
Avg Price	42155	59709	62189	65285	69879	87081
2004/05						
Aug	48930	60180	61870	65520	71430	85790
Sept	41340	48930	53990	55680	64680	84360
Oct	40770	43590	48930	49770	59050	81550
Nov	37120	38520	43870	46680	54840	80430
Dec	35430	39930	43590	46120	54270	80700
Jan	34870	39370	42180	44710	54550	80140
Feb	33460	39930	41340	45270	53990	84360
Mar	34030	41340	43870	46960	56800	88580
Apr	35710	41900	44150	46120	57370	88580
May 3	35430	41900	44710	46400	57370	88580
Avg Price	37709	43559	46850	49323	58435	84307

Source: East India Cotton Association (EICA), Mumbai.

Table 7: India's Monthly Import of Raw Cotton
(Figures in 100,000 bales of 170 kg each)

	2001/02	2002/03	2003/04	2004/05
August	4.01	1.38	1.94	0.46
September	3.93	1.24	2.77	1.42
October	3.64	1.83	1.64	2.36
November	3.26	1.28	0.73	1.53
December	3.46	0.86	0.57	0.62
January	2.53	0.86	0.49	0.79
February	2.6	1.03	0.46	
March	1.15	1.04	0.28	
April	1.38	0.84	0.19	
May	0.93	1.31	0.33	
June	1.67	1.72	0.27	
July	2.02	2.19	0.37	
Total	30.58	15.58	10.04	7.18

Note: Import figures as reported by end-user cotton textile mills.

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

Table 8: Commodity, Cotton, Import Trade Matrix

Import Trade Matrix					
Country:	India	Units:	Metric Tons		
Commodity:	Cotton				
Time period:	Aug-Jul				(Aug-Feb)
Imports for	2002		2003		2004
U.S.	71,874	U.S.	59,595	U.S.	31,230
Others		Others		Others	
Egypt A Rep	28,288	Egypt A Rep	18,838	Tanzania	21,939
Mali	18,266	Mali	15,292	Egypt A Rep	10,592
Greece	16,988	Greece	10,607	Brazil	7,997
Benin	13,905	Sudan	7,833	Benin	7,993
China	11,099	Benin	7,118	Mali	6,974
Ivory Coast	10,078	Tanzania	6,340	Burkina FASO	4,791
Tanzania	8,737	Ivory Coast	6,051	Turkmenistan	3,828
Cameroon	7,962	Cameroon	5,375	Ivory Coast	3,727
Burkino FASO	7,220	Burkino FASO	3,818	Cameroon	3,717
Sudan	6,472	Turkmenistan	3,418	Uzbekistan	2,950
Total for Others	129,015		84,690		74,508
Others not listed	63,866		26,397		31,969
Grand Total	264,755		170,682		137,707

Note: MY 2004 data are Aug, 2004 through Feb, 2005.

Source: 1. Directorate General of Commercial Intelligence & Statistics (DGCIS), GOI.
2. Textile Commissioners Office, Ministry of Textiles, GOI.

Table 9: Commodity, Cotton*, Export Trade Matrix

Export Trade Matrix					
Country:	India	Units:	Metric Tons		
Commodity:	Cotton				
Time period:	Aug-Jul				(Aug-Feb)
Exports for	2002		2003		2004
U.S.	136	U.S.	51	U.S.	48
Others		Others		Others	
Japan	8,607	Pakistan	28,429	Chinese Taipei	8,680
Korea RP	1,546	China Rep	26,186	Indonesia	2,061
Nepal	1,256	Bangladesh	12,540	China Rep.	1,771
Indonesia	579	Indonesia	10,656	Thailand	1,431
Belgium	473	Chinese Taipei	9,240	Bangladesh	1,379
Bangladesh	461	Thailand	7,758	Japan	926
China Rep	229	Mauritius	6,962	Pakistan	859
UK	213	Korea RP	2,472	Nepal	657
Sri Lanka	200	Vietnam	2,068	Vietnam	444
Portugal	128	Japan	1,994	Malaysia	278
Total for Others	13,692		108,305		18,486
Others not listed	897		12,556		1,055
Grand Total	14,725		120,912		19,589

Notes: MY 2004 data are Aug, 2004 through Feb, 2005.
* Includes non-spinnable cotton & cotton waste not included in the PS&D.

Source: DGCIS, GOI.

Table 10: Growth of the Indian Textile Industry

Item|Year *	1991/92	1995/96	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05 (P)
Organised Mills @								
Spinning	846	1294	1565	1565	1579	1599	1564	1566
Composite	271	275	285	281	281	276	223	223
Exclusive Weaving	na	172	202	203	207	209	206	202
Small Scale Spinning Units	na	750	921	996	1046	1146	1135	1161
Power Loom Units ('000s)	na	326	365	374	375	380	413	413
Spindles (millions)@	27.82	31.75	37.08	37.91	38.33	39.03	37.03	37.47
Rotors ('000s)@	113	226	444	454	480	468	482	500
Looms ('000s)@	169	148	140	140	141	137	105	104
Power Loom ('000s) @	na	1365	1630	1662	1666	1693	1837	1888
Hand Loom ('000s) @	na	3891	3891	3891	3891	3891	3891	NA
Spun Yarn Prod (mil kg)								
Cotton Yarn	1450	1894	2204	2267	2212	2177	2121	2196
Other Spun Yarn	356	591	842	893	889	904	931	972
Man-made Filament Yarn	na	493	894	920	962	1100	1118	1182
Fabric Production (mil sq m)								
Cotton	14647	18900	18989	19718	19769	19300	18040	19555
Blended	2712	4025	5913	6351	6287	5876	6068	6341
100% non-cotton (incl. Khadi/wool/silk)	5229	9033	14306	14187	15978	16797	18275	18425

Notes: *-Refers to Indian fiscal Year April/March.
@-As at end of the Indian fiscal year (31^{st} March).
NA-not available.
P- provisional estimate.

Source: The Textile Commissioner's Office, GOI.

Table 11: Production of Spun Yarn
(Fiber-Wise, Million kg.)

Year/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	2212	609	280	3101
2002	2177	585	319	3081
2003	2121	589	342	3052
2004 (P)	2196	589	383	3168

Notes: /1: Year 2004 refers to Indian fiscal year 2004/05 (April-March)
(P): Provisional.

Source: Textile Commissioner's Office, GOI

Table 12: Count Groupwise Cotton, Blended and Non-Cotton Spun Yarn
(Fiber-Wise, Million kg.)

Item	2000	2001	2002	2003	2004(P)
I. Cotton Yarn					
1-10s Count	521	524	459	435	466
11-20s	469	439	445	403	431
21-30's	479	456	476	493	453
31-40's	561	548	533	522	553
41-60's	146	147	161	161	174
61-80's	52	61	61	64	76
80's & above	39	37	42	43	43
Total	2267	2212	2177	2121	2196
II. Blended					
Cotton/Viscose	25	24	16	13	N/A
Cotton/Polyester	177	167	150	162	N/A
Cotton with Others	16	12	13	14	N/A
Polyester/Viscose	367	355	359	358	N/A
Polyester with Others	44	38	38	36	N/A
Others	17	13	9	7	N/A
Total	646	609	585	589	589
III. 100% Non-Cotton					
Viscose	62	52	74	76	N/A
Polyester	113	156	174	191	N/A
Acrylic	65	63	60	64	N/A
Others	7	9	11	11	N/A
Total	247	280	319	342	383

Notes: /1: Year 2004 refers to Indian fiscal year 2004/05 (April-March)
(P): Provisional.

Source: Textile Commissioner's Office, GOI

Table 13: Production of Manmade Fiber
(Million Kg.)

Year/1	Viscose	Acrylic	Polyester	Poly-Propylene	TOTAL
1995	194	74	228	1.9	498.4
1996	179	83	325	1.9	588.2
1997	188	79	439	2.0	708.4
1998	178	79	523	1.9	781.7
1999	202	79	551	2.1	835.0
2000	236	99	566	2.3	904.3
2001	185	95	551	2.4	833.9
2002	225	105	582	2.5	914.5
2003	221	117	613	2.7	953.3
2004 (P)	230	126	630	3.0	989.0

Notes: /1- Year 2004 refers to Indian fiscal year 2004/05 (April/March).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 14: Production of Manmade Filament Yarn
(Million Kg.)

Year/1	VISCOSE	POLYESTER	NYLON	POLY-PROPLENE	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	48	866	28	20	962
2002	51	995	30	24	1100
2003	53	1013	31	21	1118
2004 (P)	51	1077	31	23	1182

Notes: /1- Year 2004 refers to Indian fiscal year 2004/05 (April/March).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 15: Production of Fabric
(Fiber-wise, Square Meters)

Year/1	COTTON	BLENDED	KHADI/WOOL/SILK	100% NON-COTTON	TOTAL
1995	18900	4025	498	8535	31958
1996	19841	4888	540	9569	34838
1997	19992	5751	545	11153	37441
1998	17948	5700	559	11895	36102
1999	18989	5913	575	13725	39202
2000	19718	6351	581	13606	40256
2001	19769	6287	644	15334	42034
2002	19300	5876	662	16135	41973
2003	18040	6068	662	17613	42383
2004 (P)	19555	6341	662	17764	44322

Notes: /1- Year 2004 refers to Indian Fiscal Year 2004/05 (April/March).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 16: Consumption of Major Fibers/Yarns by the Textile Industry
(Million Kgs.)

Year/1	Cotton	Cotton	Man-made Fibre	Man-made Filament	Total Yarn
	Qty	% Share	Qty	Qty	Qty/2
1995	2295	66.6	557	488	3446
1996	2566	65.6	646	581	3913
1997	2719	62.8	770	722	4337
1998	2485	58.9	783	821	4221
1999	2652	58.6	840	899	4528
2000	2721	58.8	889	878	4630
2001	2701	57.7	863	970	4682
2002	2699	55.6	915	1089	4853
2003	2652	54.2	940	1146	4890
2004 (P)	2860	55.5	970	1170	5150

Notes: /1 - Year 2004 is Indian fiscal year 2004/05 (April/March).
/2 - Total yarn includes some quantity of other natural yarns (silk/wool).
(P) – Provisional estimate.

Source: The Textile Commissioner's Office, GOI.

Table 17: Prices of Raw Cotton and Other Fibers
(Rupees/Kg)

Period	Raw Cotton Fibre	Viscose Staple Fibre	Polyester Staple Fibre	Acrylic Staple Fibre
	(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
March 2003	53.82	88.01	64.82	91.17
March 2004	58.10	91.06	78.44	95.00
March 2005	42.38	95.45	81.13	106.75

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

Source: The Textile Commissioner’s Office, GOI.

Table 18: 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	15.1	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	14.8	4.7	12.5	32.0
2002	14.4	4.4	12.6	31.4
2003	13.4	4.5	13.1	31.0
2004 (P)	-	-	-	31.9

Notes: /1 - Year 2004 refers to Indian fiscal year 2004/05 (April/March).
(P) – Provisional estimate; fabric-wise breakup is not available.

Source: The Textile Commissioner's Office, GOI.

Table 19: India's Exports of Textile Items
(Million US$)

Item	2000	2001	2002	2003	2004*	2003*
Cotton Textiles (Fibre/Yarn/Fabric/Madeups)	3,548.2	3,044.1	3,496.6	3,477.6	1,909.8	1,688.4
Man-made Textiles (Fibre/Yarn/Fabric/Madeups)	1,095.3	1,084.1	1,363.9	1,805.4	1,156.1	970.7
Wool Textiles (Yarn/Fabric/Madeups)	63.8	52.1	50.4	29.7	36.4	29.7
Silk Textiles (Yarn/Fabric/Madeups)	318.9	282.6	303.8	223.2	223.2	188.9
Ready-made Garments (Cotton/MMF/Silk/Wools/etc)	5,569.6	4,993.8	5,388.6	6,047.8	3,465.7	3,230.5
Handicrafts (including carpets)	1,249.7	1,052.6	1,221.1	1,005.1	515.9	576.9
Coir and Coir Products	48.3	61.7	72.5	77.9	58.0	40.4
Jute Products (Yarn, Hessain, etc)	203.8	128.1	184.9	230.9	147.3	134.2
Total	12,097.6	10,699.2	12,081.8	12,897.5	7,512.4	6,859.7

Notes: - Year 2003 refers to Indian fiscal year (IFY) 2003/04 (April/March).
- * refers to the period of April-Oct 2004 and 2003, i.e., first 7 months of IFY 2004/05 and 2003/04, respectively.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 20: Exports of Ready-made Garments from India
(Million US$)

Item	2000	2001	2002	2003	2004*	2003*
Cotton	3899	3678	4456	4748	3684	3699
Man-made	980	784	742	793	580	625
Silk	187	152	138	121	145	110
Wool	300	238	219	286	314	233
Others	220	173	199	312	198	181
TOTAL	5586	5025	5753	6260	4921	4847

Notes:- Year 2003 refers to Indian fiscal year (IFY) 2003/04 (April/March).
- * refers to the period of April-Oct 2004 and 2003, i.e., first 7 months of IFY 2004/05 and 2003/04, respectively.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 21: Commodity, Export Trade Matrix, Cotton Yarn
(Metric Tons)

Country	2000	2001	2002	2003	2004*	2003*
USA	4,593	3,543	3,890	2,320	670	1,370
Others						
Korea Rp	44,878	49,622	75,293	77,148	26,580	23,770
Hong Kong	70,323	45,304	39,599	41,310	16,680	11,630
Bangladesh	59,601	48,876	43,423	38,747	25,700	15,180
China P Rp	21,151	23,716	25,374	25,251	12,070	8,780
Mauritious	29,836	28,188	27,434	24,771	10,030	10,910
Italy	15,335	15,196	20,430	19,009	6,960	9,410
Egypt A Rp	13,274	12,116	15,419	16,816	10,580	7,250
Turkey	4,229	3,385	7,338	16,488	4,930	5,990
Japan	13,440	16,660	19,832	15,616	6,120	6,900
Chinese Taipei	14,696	14,324	24,497	14,961	6,800	5,660
Israel	14,157	11,066	14,400	12,475	5,100	6,100
Sri Lanka	12,693	12,028	12,486	10,680	4,070	4,460
Canada	11,162	10,097	8,735	9,874	4,040	4,860
U.A.E.	12,461	6,478	8,780	8,286	3,260	3,430
Malaysia	11,152	10,484	12,655	8,231	4,480	4,480
Korea Dp Rp	22,007	22,874	17,950	8,158	na	na
German F Rep	7,615	8,110	8,386	7,775	2,800	3,890
Portugal	6,222	6,207	9,373	7,303	3,820	4,070
Spain	6,459	7,171	8,607	6,681	3,010	3,350
Bahrain Is.	7,370	6,645	5,594	5,613	2,160	2,320
Belgium	9,062	5,330	9,363	3,920	2,150	2,030
Others	116,675	85,262	109,867	93,832	45,580	50,310
Total	505,499	433,535	505,161	459,051	200,270	188,450

Notes:
- Year 2003 refers to Indian fiscal year 2003/04 (April-March).
- 2004* refers to the period April-Sept, 2004, i.e., first six months of IFY 2004/05.
- 2003* refers to the period April-Sept, 2003, i.e., first six months of IFY 2003/04.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 22: Export Trade Matrix, Cotton Fabrics
(Metric Tons)

Country	2000	2001	2002	2003	2004*	2003*
USA	39,620	30,451	35,750	67,720	29,810	31,170
Others						
Niger	3,525	4,958	14,240	59,050	24,830	19,720
Bangladesh	15,522	12,651	22,710	56,290	27,600	23,260
Sri Lanka	9,491	8,466	11,650	39,880	17,020	13,730
UAE	12,022	10,716	11,470	37,630	27,570	13,050
Nigeria	7,583	7,727	6,090	33,180	11,470	11,260
UK	27,578	19,561	16,880	31,640	13,180	15,100
Italy	15,758	19,539	14,870	29,390	13,050	14,420
Benin	3,866	5,081	5,940	26,570	11,310	6,800
Togo	3,705	4,853	7,150	25,520	7,160	10,250
German F. Rp	6,811	7,049	7,650	21,730	8,620	9,940
Nepal	557	1,133	2,016	16,715	7,950	7,860
Turkey	6,425	6,434	5,300	14,630	9,510	6,210
Spain	6,482	6,881	7,900	14,200	6,420	5,520
Belgium	8,572	6,856	5,770	13,930	5,660	5,930
Ivory Coast	5,221	4,153	3,240	13,370	na	na
France	5,015	4,050	3,590	9,950	4,140	3,670
Hong Kong	5,568	4,839	4,910	7,870	3,650	4,200
South Africa	5,534	5,054	3,530	7,380	2,520	1,620
China P Rp	5,478	5,361	2,180	6,960	2,190	1,980
Others	92,191	84,581	91,384	265,825	113,830	102,070
Total	286,527	260,393	284,220	799,430	347,490	307,760

Notes:
- Year 2003 refers to Indian fiscal year 2003/04 (April-March).
- 2004* refers to the period April-Sept, 2004, i.e., first six months of IFY 2004/05.
- 2003* refers to the period April-Sept, 2003, i.e., first six months of IFY 2003/04.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 23: Export Trade Matrix, Cotton Madeups
(Metric Tons)

Country	2000	2001	2002	2003	2004*	2003*
USA	85,739	82,760	145,070	266,940	122,600	125,680
Others						
Canada	5,628	5,880	7,540	80,250	8,140	70,170
UK	24,233	25,570	23,210	61,330	29,010	27,170
German F Rp	22,388	17,600	19,270	50,580	26,590	21,120
France	13,462	12,220	12,710	30,700	17,670	13,060
Italy	8,756	8,670	8,540	24,810	16,110	10,070
Japan	13,584	12,400	12,670	24,800	8,990	11,980
UAE	6,194	9,400	7,500	20,570	11,580	7,440
Spain	6,372	6,480	9,400	20,510	7,780	9,900
Sweden	6,393	5,880	6,930	17,550	8,420	8,100
Australia	5,898	5,230	6,130	16,410	9,410	7,310
Netherland	6,375	5,200	5,420	15,890	7,650	6,620
South Africa	2,643	2,440	2,880	15,020	7,740	6,440
Belgium	5,399	4,900	3,870	11,340	5,860	4,730
Denmark	3,174	400	3,540	9,660	4,600	4,050
Israel	2,353	2,540	2,390	3,610	1,560	1,340
Portugal	1,566	1,460	1,480	3,450	1,870	1,750
Korea Rp	1,748	1,520	1,490	2,160	880	480
Others	34,855	44,570	43,760	112,720	53,980	50,160
Total	256,760	255,120	323,800	788,300	350,440	387,570

Notes:
- Year 2003 refers to Indian fiscal year 2003/04 (April-March).
- 2004* refers to the period April-Sept, 2004, i.e., first six months of IFY 2004/05.
- 2003* refers to the period April-Sept, 2003, i.e., first six months of IFY 2003/04.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 24: Existing Import Policy & Tarriffs/Duties for Cotton/Cotton Textiles

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

Notes:

/1 : OGL(Open General License)- No restrictions on imports.

/2 : Most goods of the under Chapter 52 get a tariff concession upto 50 percent of the effective basic duty on imports from LDC members of SAPTA - Bangladesh, Nepal, Bhutan and Maldives.

/3 : CVD (Countervailing Duty) equivalent to local excise taxes, wherein-
Local excise tax rate = 4 % for items not containing synthetic fibre
8 % for items containing synthetic fibre

/4: Central Cess under Textile Com Act, 1963 = 0.05% of CIF Value + Basic Duty

/5 : Education Cess = 2 percent of the Basic duty + CVD.
However, education cess exempted in case of items under the HS codes 5204, 5205, 5206, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52, 5208.53, 5208.59, 5209.41, 5209.42, 5209.49, 5209.51, 5209.52, 5209.59, 5210.41, 5210.42, 5210.49, 5210.51, 5210.52, 5210.59, 5211.41, 5211.42, 5211.59, 5212.15, 5212.24, 5212.25.

/6: Basic Duty on 5208.39 is 15% or rs. 150/kg
on 5208.41 is 15% or* rs. 9/sq meter
on 5208.42 is 15% or* rs. 37/sq meter
on 5208.49 is 15% or* rs. 200/kg
on 5208.51 is 15% or* rs. 27/sqmeter
on 5208.52 is 15% or rs. 23/sqmeter
on 5208.53 is 15% or* rs. 35/sqmeter
on 5208.59 is 15% or* rs. 50/sqmeter

/7 : Basic Duty on 5209.31-39 is 15% or rs. 150/kg
on 5209.41 is 15% or* rs. 32/sqmeter
on 5209.43 is 15% or* rs. 30/sqmeter
on 5209.49 is 15% or* rs. 150/kg
on 5209.51-52 is 15% or* rs. 30/sqmeter
on 5209.59 is 15% or* rs. 38/sqmeter

/8 : Basic Duty on 5210.39 is 15% or* rs. 150/kg

on 5210.49 is 15% or* rs. 132/kg
on 5210.51-59 is 15% or* rs. 15/sqmeter
/9: Basic Duty on 5211.31-39 is 15% or* rs. 150/kg
on 5211.41 is 15% or* rs. 44/sqmeter
on 5211.42 is 15% or* rs. 18 per sqmeter
on 5211.43 is 15% or* rs. 40/sqmeter
on 5211.49 is 15% or* rs. 150/kg
on 5211.51-59 is 15% or* rs. 18/sqmeter
/10: Basic Duty on 5212.15 and 5212.25 is 15% or* rs. 165/kg
on 5212.24 is 15% or* rs. 20/sqmeter
* - Whichever is higher

Method for Computing Total Applicable Duty

A: CIF Value of Good
B: Basic Duty = Basic Duty Rate * CIF Value
C : CV Duty = CVD Rate * (A+B)
where CVD Rate = Excise Tax Rate plus education cess;
i.e., CVD rate = 4.08 % for items not containing synthetic fibre
= 8.16 % for items containing synthetic fibre
D: Central Cess = 0.05% of A+B
E: Education Cess: 2% of B+C+D
Total Applicable Duty = B+C+D+E

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

Production

Cotton, a predominantly monsoon-season crop, is planted from end-April through September, and is harvested in the fall and winter (Table 4B). Planting intentions are largely influenced by its relative price vis-à-vis competing crops (paddy, guar, and fodder crops in the north, coarse grains, pulses, and sugarcane in the central region; and paddy, tobacco, and chilies in the south). Despite very low cotton prices in MY 2004/05, abnormally high yields in most growing states (except Andhra Pradesh) helped to offset the price effect, enabling farmers to realize net returns higher than those from major competing crops. This should lead to a small increase in area planted to cotton this year. However, there is likely to be a shift toward sugarcane in Maharashtra and tobacco and chilies in Andhra Pradesh due to higher returns from these crops compared with cotton, resulting in an overall decline in planted area during MY 2005/06 to 8.8 million hectares.

Based on the latest market arrivals (22.4 million bales through April), MY 2004/05 production is estimated at 23.2 million bales from 9.0 million hectares. Very favorable growing conditions, abnormally low incidence of pests and diseases, and increased usage of new higher-yielding varieties and hybrids (including Bt) resulted in a record per-hectare yield of 438 kilograms, nearly 14 percent higher than the previous record yield of MY 2003/04.

Cotton textile production in the IFY 2004/05 (April-March) increased by seven to eight percent over the 2003/04 level (Tables 10, 11, 16), due to low cotton prices, improved domestic and export demand, and decreasing competition from MMF (due to high petroleum prices). Industry sources are upbeat about the cotton textile industry's prospects in the post-MFA era, which began January 1, 2005. Reports indicate that all textile sectors (yarn, weaving, and finished products) are earning better profits, which is reflected by the increasing investments in modernization. A recent study by the Indian Cotton Mills Federation indicates that India's total demand for cotton is forecast to grow to 35.0 million bales by 2010, which appears too high to Post.

Status of Bt Cotton

The GOI has recently approved 14 new Bt cotton hybrids for different agro-climatic regions, in addition to the four approved in 2002 and 2004 for commercial cultivation in the six central and southern states. The following table shows Bt hybrids released for commercial cultivation:

Region/State	Varieties Approved for MY 2004/05 & earlier	New Approved Varieties in 2005	Total Approved Varieties for MY 2005/06
Northern Region (Punjab, Haryana, Rajasthan)	None	RCH 134, RCH 138, MRC 6301, MRC 6304, Ankur 651, Ankur 2534	6
Central Region (Gujarat, Maharashtra, Madhya Pradesh)	Mech 12, Mech 162, Mech 184, RCH 2	RCH 138, RCH 144, RCH 118, Ankur 9, Ankur 681, MRC 6301	10
Southern Region (Andhra Pradesh, Karnataka, Tamil Nadu)	RCH 2, Mech 162*, Mech 184*, Mech 12*	RCH 20, RCH 368, MRC 6322, MRC 6918	7 (Karnataka & Tamil Nadu) 5 (Andhra Pradesh)

* The GOI has denied approval for cultivation of Mech 12 in all southern states, and Mech 162 and Mech 184 in Andhra Pradesh, for the forthcoming cotton year 2005/06.

The approval of Bt hybrids for the highly bollworm-prone northern region, although much delayed, should be a boon for cotton farmers in this region. The approval for the new varieties ranges from two to three years, depending on the variety. In addition to the approved varieties, there are some fifty unapproved Bt cotton varieties, illegally bred and marketed by farmers and seed companies, which are offered at a hefty discount over the approved varieties. Some dishonest traders are also selling F2 generations of Bt hybrids.

Despite conflicting reports in the media about the performance of Bt cotton in southern states, farmers are reportedly happy with its performance. Bt cotton coverage in MY 2005/06 is expected to grow to 1.6 million hectares (18 percent of the total cotton acreage), notwithstanding its higher seed prices vis-à-vis other cotton varieties.

ELS Cotton

ELS cotton production in MY 2004/05 is estimated at 200,000 bales (Table 3), 18 percent higher than the previous year due to improved yields. Only a few domestic varieties (DCH-32, TCH-213, and Suvin), grown mostly in southern India, meet the ELS specification. Fiber quality and yields of these varieties have deteriorated in recent years, causing marketing problems and lower returns to growers, thus prompting them to shift to new long staple (30-34 mm) varieties, which have higher yields and less quality problems. Efforts to improve the productivity of ELS parent lines have met with limited success. ELS cotton is used for the production of quality yarn, fabric, and dress material for export, and for a small but growing high-end domestic market segment. MY 2004/05 consumption is estimated to increase to 520,000 bales, on improved demand for finer-count textile products and more supply (both domestic and imported). Market sources report that prices of international ELS cotton (US Pima and Egyptian) in MY 2004/05 were comparatively lower than the previous year, resulting in higher imports.

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 organization, is responsible for this support operation in all states. Typically, market prices remain well above the MSP, and CCI operations are generally limited to commercial purchases and sales. However, low market prices during MY 2004/05 forced CCI to undertake MSP operations in most states. In Maharashtra, most cotton was procured by the Maharashtra monopoly scheme, by which the state government procures cotton from local farmers at prices above MSP. Market sources report that the Maharashtra monopoly scheme and CCI together procured about 8.0 million bales in MY 2004/05, the largest ever procurement by government agencies.

Futures trading in cotton, which was launched by the East India Cotton Association in 1998, is limited. There are several government agencies and research institutions besides the CCI that are engaged in the development, seed distribution, crop surveillance, integrated pest management, and extension activities for cotton. The GOI's Cotton Technology Mission also supports activities aimed at improving cotton yields, reducing cultivation costs, and improving quality through modernization of existing facilities.

The GOI'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 (EOUs) are exempt from this obligation. In addition to ensuring a steady supply of hank yarn to the handloom sector, the GOI also subsidizes the sale of handloom products. The Technology Upgradation Fund (TUF), launched in 1999, provides an interest subsidy on loans intended to modernize the textile industry.

Consumption

Weak cotton prices, coupled with strong demand for cotton textiles, are estimated to raise MY 2004/05 consumption by 12 percent to 19.3 million bales (mills 16.5 million bales, small spinning units 1.5 million bales, and non-mill 1.3 million bales). Cotton prices during MY 2004/05 (Table 6) were significantly lower than the previous year's prices, due to a record domestic production and weak international prices. Procurement operations by CCI under the MSP scheme, and the Maharashtra monopoly cotton purchase scheme, helped stabilize prices near the MSP.

Cotton's share in the total textile usage recovered in IFY 2004/05 (Table 16), which was partly fueled by higher prices of MMFs due to strong petroleum and petroleum product prices. Market sources report that low-priced cotton caused mills to change their cotton/polyester blend from 55:45 to 60:40. Future growth in cotton usage is likely to be determined by the relative prices of cotton vis-à-vis MMFs. Polyester and poly-blends are popular in India due to their durability and ease in washing and maintenance under tropical conditions.

To keep pace with the growing demand for clothing, the Indian textile industry must expand by 4 to 5 percent per year. 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. The weaving industry is mainly supplied by the unorganized sector, with the power looms accounting for 60 percent, handlooms for 18 percent, and hosiery units for 17 percent of total cloth production.

Trade

MY 2004/05 cotton imports are estimated at 0.9 million bales, compared with 1.0 million bales in MY 2003/04 (see Tables 7 and 8). The US cotton share is estimated at 35 percent. Other major suppliers are Egypt, CIS countries, West Africa, and Sudan. ELS imports, mostly from Egypt, the United States, and CIS countries, are estimated higher at 350,000 bales, due to improved domestic and export demand for Indian fine yarns, fabrics, and made-ups.

Despite abundant domestic supplies, India's MY 2004/05 exports are estimated to reach only 1.0 million bales due to low international prices. In early January, the GOI allocated an export quota of 2.0 million bales to the CCI, with a handling and internal transportation subsidy up to 3 cents/lb (see Trade Policy subsection). Market sources report that the CCI was able to export only limited quantities while using the subsidy because of the various restrictive conditions attached to it. However, CCI concluded major export contracts from mid-February through March, when Indian cotton became quite competitive vis-à-vis international cotton. According to trade sources, the CCI and private trade have so far contracted for approximately 600,000-700,000 bales. Fresh contracts have become sparse since late-March, following Indian cotton's decreasing competitiveness in the world market. Major export destinations for Indian cotton are Bangladesh, China, Taiwan, Indonesia, Thailand, and Vietnam.

Cotton textile exports in IFY 2004/05 are estimated to increase, due to low raw cotton prices and improved demand (see Tables 19-23). Cotton yarn, fabric, and garment exports saw a strong revival, although the dollar-value earnings were adversely affected by the appreciation of the rupee against the dollar. Although cotton made-up exports from April through September 2004 were lower than in the corresponding period of last year, market sources report some improvements since then. Indian textile exports are typically targeted toward the lower end of the international market. Coarse yarn (below 40 count) and grey fabric (including denims) account for the major share of total cotton and fabric exports, respectively.

The Indian textile industry is bullish about India's export competitiveness following the January 2005 abolition of the quota system under the Multi-Fiber Agreement (MFA), and may see some structural changes toward integration of export-oriented units. Global procurement companies setting up offices in India, and their increasing order volumes over the last two years have fueled these sentiments. A few modern integrated textile units have recently shifted their focus to exports of finer-count yarns, fabric, and branded garments for the upper-end segment of the domestic and world market, and are expected to benefit more from the removal of the MFA, since they will have the ability to supply a wider range of quality products.

Trade Policy

In April 2001, quantitative restrictions on imports of all cotton and cotton textile products were removed. In the 2004 interim budget, the GOI lowered the peak tariff levels on most non-agricultural products from 20 percent to 15 percent. The basic import duty on raw cotton remained unchanged at 10 percent (See Table 24).

India removed all quantitative restrictions on exports of raw cotton in July 2001. Faced with a record domestic production, declining domestic prices, and the lack of export competitiveness due to low international prices, in early January 2005 the GOI allowed the CCI to export up to 2 million bales of cotton in Indian MY 2004/05 (October-September), accompanied by a subsidy up to 3 cents/lb toward the cost of handling, processing, and internal transportation. The subsidy is subject to the following conditions: the export price realization should be above the domestic prices, and only the cotton procured under MSP is entitled to the raw cotton subsidy.

With the expiration of the MFA in January 2005, Indian exports of all textile products have been fully liberalized. In January 2002, yarn exports were liberalized, and the quota limit was abolished for export to non-quota countries. The exports of yarn to quota countries continued to be administered by the Cotton Textile Export Promotion Council (TEXPROCIL). Prior to the MFA's expiration, the export of yarn to quota countries accounted for only 9-10 percent of total yarn exports. Restrictions on fabric/made-ups exports to non-quota countries were removed in April 2001; and these were no longer monitored by TEXPROCIL. Quota exports accounted for only 12 percent and 18 percent of total exports of fabrics and made-ups, respectively.

In an effort to promote the export of value-added cotton textiles, the GOI provides various incentives. The 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 Export Promotion Capital Goods scheme, imports of capital goods and machinery are allowed at subsidized duty rates against export obligations (zero duty for a 100% EOU). However, no direct subsidies are provided for the export of cotton and cotton textiles.

Marketing

India has a traditional cotton marketing system: farmers bring their hand-picked, raw seed cotton to the market, where it is sold in open auction and bought by traders and ginners. Seed cotton is ginned, pressed, and baled in ginning mills, and the baled cotton is supplied by the traders/ginners directly or through agents to mills. In addition to the private trade, government parastatals like the CCI and state marketing federations also operate in the market on a commercial basis, in addition to undertaking price support operation as and when required. Most Indian mills import their cotton through Mumbai-based cotton traders/brokers.