



भारतीय कृषि एवं खाद्य परिषद्
INDIAN COUNCIL OF FOOD AND AGRICULTURE

INDIAN COTTON MARKET





Indian Cotton Market

Cotton plays an important role in the Indian economy as the country's textile industry is predominantly cotton based. India is one of the largest producers as well as exporters of cotton yarn. There are four major cotton species of cultivated cotton, of which two are diploid (*Gossypium arboreum* and *G herbaceum*) and the other two tetraploid (*G hirsutum* and *G barbadense*). India is the only country to grow all four species of cultivated cotton. In addition, hybrid cotton, which is produced from crossing tetraploid species *G hirsutum* are also cultivated in the central and southern zones. The diploid species referred to as the 'Desi' cotton, having low productivity and low quality cotton, contributes 25 - 30% of the country's production. The tetraploids variety contributes to the remaining 70% of the cotton production in India. These varieties have fine quality fibre, and are normally used by the textile industry.

GLOBAL AND INDIAN COTTON MARKET

Almost 75% of the world cotton consumption happens in Asia, of which three Asian countries namely China, India and Pakistan amount to about 63% to 65% (five years

average) of the world cotton consumption, of which the average consumption in India during the same period has been about 20% of the world consumption.

Presently, India has about 38 % of the world area under cotton cultivation. This is the largest area under cotton cultivation in the world. India's share in world cotton production is about 25%. As per the production estimates of the International Cotton Advisory Committee (ICAC), India has become the largest raw cotton producer in the year 2014-15 leaving China behind.

INDIAN COTTON MARKET

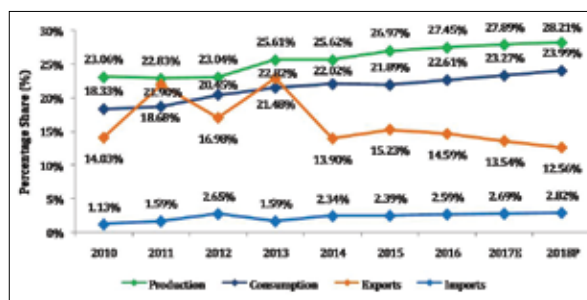
Despite having such abundant area under cotton cultivation, India's raw cotton production is below expectations. As per ICAC's estimates, India's area under cotton cultivation in the year 2014-15 was about three times of the total area under cotton cultivation in China, but there is no significant difference in the total cotton production in both countries. India has three times of the area under cotton cultivation as compared to USA, but its cotton production is about twice the USA's cotton production. Comparatively lower yield per acre is the reason for India's lower cotton production.

If India could achieve a yield level equivalent to the present world average yield of 784 kg/ hectare then the country would produce about 9.6 million tonnes of cotton fibre at its present cotton acreage of about 12.25 million hectares. This volume of cotton production will be equivalent to about 40% of the present world cotton consumption of 24.22 million tonnes.

While the world moves away from cotton towards man-made fibers, Indian cotton consumption has been growing at a higher rate. During the same 2007-2014 timeframe, Indian consumption of raw cotton has increased at a CAGR



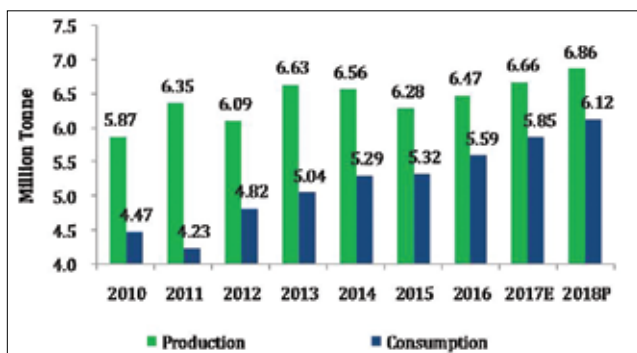
INDIAN COTTON MARKET SHARE IN THE GLOBAL COTTON MARKET



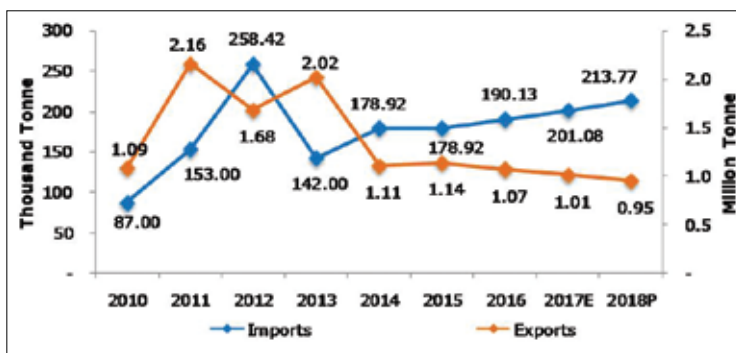
Source: OECD Statistics and ICFA Analysis



INDIAN COTTON PRODUCTION & CONSUMPTION INDIAN COTTON MARKET TRADE



Source: Ministry of Agriculture and ICFA Analysis



Source: APEDA

of 4.04% against the growth rate of 2.45% for man-made fibers and filaments together. The current Indian ratio of cotton consumption vs. man-made fibers is about 65:35, which is the opposite of what is prevailing in the international market (25:75). In China, this ratio is about 15:85.

India's raw cotton consumption has grown at a CAGR of 4.2% during the last five years. With this growth rate, the Indian cotton consumption will be between 6.5 million tonnes to 7.0 million tonnes by the year 2020. At the same growth rate, this level may go beyond 8 million tonnes by 2025 and India may also surpass China in the raw cotton consumption and may become the largest consumer of raw cotton globally.

The states of Gujarat, Maharashtra, Telangana, Andhra Pradesh, Karnataka, Madhya Pradesh, Haryana, Rajasthan, and Punjab are the major cotton producers in India. State Governments of the cotton producing states in India are also coming up with textiles policies to encourage installation of textiles and apparels machinery by way of giving various capital and interest subsidies. Other schemes like concessional power tariff, tax concession and skill development, etc. will encourage the production of value addition products for the entire textile value chain.

INDIAN COTTON MARKET TRADE

The total value of textiles and clothing exports from India stood at Rs.2,410.22 billion in 2015. The value of cotton yarn exported from India in 2015 stood at Rs.235.78 billion, while export of cotton fabrics, cotton made ups and raw cotton stood at Rs.137.54 billion, Rs.340.57 billion, and Rs.124.44 billion respectively.

India has overtaken Italy and Bangladesh, and is now the second largest textile & clothing exporter in the world, contributing around 5% to the global textile and clothing trade. USA is the biggest importer of cotton textiles from India with a share of 22.7 per cent, followed by China (13.9%), Bangladesh (9.0%), UAE (5.7%) and Germany (3.1%), among others. However, China's restrictive import policy and its accumulated stock have adversely impacted India's export to that country in 2015.

Countries such as Bangladesh, Vietnam, Pakistan and Taiwan are scaling up their cotton imports from India to meet the requirements of their export-focused garment industries.

Various reputed foreign retailers and brands such as Carrefour, Gap, H&M, JC Penney, Levi Strauss, Macy's, Marks & Spencer, Metro Group, Nike, Reebok, Tommy Hilffiger and Wal-Mart import Indian textile

products.

The Cotton Textile Export Promotion Council (TEXPROCIL) takes part in national and international events to enhance the visibility of Indian products, advertises and promotes Indian products in various media vehicles such as fashion magazines, event-related pull-outs, India reports and leading trade magazines, and organizes buyer-seller meets (BSM) and trade delegation visits.

Cotton is one of the principal crops of India, and plays a vital role in the country's economic growth by providing substantial employment and making significant contributions to export earnings.

The Indian cotton cultivation sector has not only been increasing its productivity, but also has been undergoing a drastic improvement in terms of quality of cotton. Cultivation of hybrids, Bt cotton varieties, latest production technology and plant protection technologies, adoption of scientific and agronomic practices by farmers, increase in area under irrigation, seed, Government policies such as giving greater force to research and development in cotton, encouraging use of quality seeds and pesticides and price support, are all responsible for the present drastic change in Indian cotton scenario. ■



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