

## CHAPTER V

# THE COTTON AND MAN-MADE FIBRE AND FILAMENT YARN INDUSTRY

**C**otton plays a vital role in the Indian economy through its contribution to employment generation and export earnings. The ratio of the use of cotton to man-made fibre and man-made continuous filament yarn by the Indian textiles industry in 2005-06 was 60:40 (provisional). It provides livelihood to around 6 millions farmers, while another about 40-50 million people are engaged in cotton cultivation, trade and its processing. It is the principal raw material for the domestic textiles industry comprising 1614 spinning mills & 209 composite mills, having an installed capacity of 35.41 million spindles, 4,43,000 open end rotors and 72,000 looms in the organized sector, and another 1250 small scale spinning units with 3.86 million spindles and about 1,47, 000 rotors. The cotton and cotton related textiles items contribute significantly towards exports earnings of the country.

### PRODUCTION & CONSUMPTION

India was the second largest producer (4.15 Million Metric Tons) of cotton during 2005-06, accounting for 16.75% of the global production. During 2005-06, the country led the world in cultivated area (8.87 Million hectare), but in productivity (467.49 kg. lint/ha), India was far behind USA (931 kg/ha), China (1140 kg/ha), Australia (1806 kg/ha), with the global average at 723 kg/ha. The major reason for low yield is that 65 % area under cotton is rainfed. The cotton output for the cotton season of 2005-06 (October-September) was 244.00 lakh bales (of 170 kgs.). There was a record increase in the production by

the State of Gujarat and it is estimated at 89.00 lakh bales. In cotton season of 2005-06, cotton yield in Gujarat increased to 728 kg/hectare as against earlier yield of about 651 kg/hectare, up by 11.82% and is almost the same as the world average of 723 kg/hectare.

During cotton season of 2004-05, the largest share in the total production of cotton was that of medium staple & medium long staple variety followed by long staple variety. The share of short staple variety was about 3.15%. The share of medium and medium long staple varieties was about 44.51% that of long staple varieties and short of extra long staple was 43.74% and 2.46%, respectively.

The consumption of cotton is increasing over the last few years. The total consumption which was 115.50 lakh bales in 1990-91 (mill and non-mill) increased to record 217.00 lakh bales. In the cotton season of 2005-2006, the consumption included consumption by spinning units in the small scale sector, and by non-mill sector. The increase is due to the additional capacity creation in the textiles sector. The variety-wise demand for cotton matches the variety-wise production. The major demand is for medium and medium long staple variety, and the demand for short staple varieties is relatively very small.

The data on area, production, yield and consumption of cotton for the cotton seasons 1991-92 to 2005-2006 is at Table 5.1.



Table 5.1

Cotton Year	Area in Lakh Hectares	Cotton prodn. In lakh bales of 170 kgs each	Production in 000's tonnes	Cotton yield in kg/Hectare	Cotton Consumption in lakh bales of 170 kg. each (mill + non-Mill + small spinning)
1991-1992	76.01	119.00	2023.00	266.14	111.09
1992-1993	75.41	138.00	2346.00	311.00	125.01
1993-1994	74.40	121.50	2065.00	278.00	127.00
1994-1995	78.61	138.50	2354.50	300.00	135.00
1995-1996	90.63	170.70	2901.90	320.00	154.29
1996-1997	91.66	177.90	3004.30	330.00	170.16
1997-1998	88.29	158.00	2686.00	307.00	159.01
1998-1999	92.87	165.00	2805.00	302.00	165.36
1999-2000	87.31	156.00	2652.00	304.00	173.36
2000-2001	85.76	140.00	2380.00	277.52	173.03
2001-2002	87.30	158.00	2686.00	307.67	171.76
2002-2003	76.67	136.00	2312.00	301.55	168.83
2003-2004	76.30	179.00	3043.00	398.82	177.10
2004-2005	87.86	243.00	4131.00	470.11	195.03
2005-2006 (P)*	88.73	244.00	4148.00	467.49	217.00

Source : \*CAB estimate as on September 1, 2006.

## PRICES OF COTTON

The Government announces Minimum Support Price (MSP) for different varieties of cotton every year to ensure remunerative prices to the cotton growers. The Cotton Corporation of India Ltd. (CCI) purchases cotton under support price operation whenever prices touch the MSP level.

The Government of India has fixed the support price of two basic varieties of cotton, viz, F-414/H-777/J-34 and H-4/H-6 of new crop kapas of Fair Average Quality for the cotton season 2006-07. The Support Price fixed for F-414/H-777/J-34 variety (Rajasthan) is at Rs.1770/- per quintal. The support price for H-4(Long Staple) variety has been fixed at Rs.1990.00, an increase of Rs.10/- per qtl over the previous year. For other varieties,

the Minimum Support Prices are fixed by the Textile Commissioner, Mumbai, based on market differentials.

Throughout the cotton season of 2005-06, the kapas prices ruled higher than the previous year price level. Due to higher demand for the cotton in country and abroad, the kapas prices were higher in the cotton season of 2005-06, touching MSP level in all the States. CCI undertook MSP operation during the cotton season 2005-06, and procured kapas equivalent to lint cotton of 12.52 lakh bales under MSP operation till September 20, 2006.

## INTERNATIONAL COTTON ADVISORY COMMITTEE (ICAC)

ICAC is an association of Governments having an interest in the production, export, import and consumption of cotton.

It promotes cooperation to find solution to cotton problems, particularly those having international scope and significance. The functions of the International Cotton Advisory Committee are:-

- To observe and keep in close touch with developments affecting the world cotton situation.
- To collect and disseminate complete, authentic, and timely statistics on world cotton production, trade, consumption, stocks and prices.
- To suggest, as and when advisable, to the Governments represented, any measures the Advisory Committee considers suitable and practicable for the furtherance of international collaboration directed towards developing and maintaining a sound world cotton economy.
- To be the forum of international discussions on matters related to cotton prices.

The 65th Plenary meeting of the International Cotton Advisory Committee (ICAC) was held at Goiania, Brazil from September 11-15, 2006. Representatives from more than 53 Governments participated in the meeting. The theme of the 65th Plenary Meeting was "**The Social and Environmental impacts of Cotton Production and Use**". The session / workshop / group discussion took place on the following topics in the plenary meeting of ICAC:-

- The environmental and social implications of efficient production;
- The outlook for supply and use;
- Commercial standardization of instrument testing;
- Cotton and the Doha Development Round;
- Marketing, quality, competitiveness, and biotech cotton in Brazil;

- Progress on the standardization of international trade rules;
- Demand enhancement;
- The future of the South American textile industry;
- Price risk management;
- And organic cotton production.

Shri Sudripta Roy, Joint Secretary, Ministry of Textiles, Government of India, Chairman and Managing Director, CCI, Chairman and Managing Director, National Textiles Corporation (NTC) and Textile Commissioner along with other delegates attended the ICAC's Plenary Meeting.

#### **TECHNOLOGY MISSION ON COTTON (TMC)**

The Technology Mission on Cotton (TMC) was launched on February 21, 2000, to address the issues of raising productivity, improving quality and reducing the cost of production and thus provide the much-needed competitive advantage to the textiles industry, along with ensuring attractive returns to the farmers. The scheme will continue till March 31, 2007.

The mission consists of **four Mini Missions (MM)**: The Indian Council of Agricultural Research (ICAR) and Ministry of Agriculture, Government of India are the Nodal Agencies for Mini-Missions I & II respectively. The Mini-Mission I focusses on development of high yielding pest resistant varieties and hybrids and integrated water, nutrition and pest management technologies. The Mini-Mission II relates to transfer of the aforesaid technologies to farmers to ensure better returns. The mini-missions **III and IV of TMC have been further extended for another two years** by the Empowered Committee on TMC.

The Ministry of Textiles is the Nodal Agency for Mini Missions III & IV. **Mini-Mission III** relates to improvement of marketing infrastructure and includes the





*Pressed bales of Cotton awaiting dispatch at a modern ginnery.*

revival of dormant market yards, improvement of existing market yards and setting up of new market yards. The Government of India provides assistance of 60% of the cost of development to the concerned State Govts. / Agricultural Produce Market Committees (APMCs). **Mini-Mission IV** aims at modernisation of ginning and pressing factories and thereby improving the quality of cotton by reducing contamination and ensuring better prices to the growers. The capital incentive of 25% cost of modernisation, subject to a limit of Rs. 20 lakhs, is given to the ginning and pressing factories. Further, for installation of 'new bale press' and 'HVI/MVI laboratories', an additional incentive of Rs 7.00 lakhs and Rs. 4.00 lakhs respectively has also been allowed during Xth five year plan.

Instantly under MM-III, 111 market yards were to be developed (51 in IXth five year plan & 60 in Xth five year plan), however these were increased to 250 in June 2005. The target of MM-IV was modernization of

500 Ginning & Pressing factories (150 in IXth five year plan and 350 in Xth five year plan). They were increased to 1000 G & P factories in June 2005.

#### **Progress till January 2007**

Under MM-III development of 219 market yards including new market yards and also improvement of existing ones was sanctioned, of which 108 market yards have been completed at a total estimated cost of Rs.429.54 crores, of which Government of India share is Rs. 218.33 crores. Under MM-IV modernization of 853 ginning and pressing factories was sanctioned, of which 517 factories have been completed. The total cost for modernization of 853 G&P factories is Rs.1157.33 crores with TMC Share of Rs.194.50 crores.

#### **MAN-MADE FIBRE AND FILAMENT YARN INDUSTRY**

The industry comprises fibre and filament yarn manufacturing units of cellulosic and

non-cellulosic origin. The cellulosic fibre/yarn industry is under the administrative control of the Ministry of Textile, while the non-cellulosic industry is under the control of Ministry of Chemicals and Fertilizers (Department of Chemicals and Petro Chemicals.)

The production of man-made fibre during April - August 2006, increased by 16% as compared to the corresponding previous period of last financial year. The Man-made fibre production is expected to increase by about 14% during 2006-07, as compared to 2005-06. However, during 2006-07, the production of Viscose Staple Fibre and Acrylic Staple Fibre is expected to decrease by 10% and 3% respectively. The production of Polyester Staple Fibre and Polypropylene Staple Fibre is

expected to increase by 26% and 11 % respectively during 2006-07.

The production of man-made filament yarn increased by 9% during April - August 2006, as compared to corresponding period of the previous year and is expected to increase by about 11% as compared to the production during 2005-06. The production of Nylon Filament Yarn and Viscose Filament Yarn is expected to decrease by about 2%, and the production of Polyester Filament Yarn and Polypropylene Filament Yarn is expected to increase by 12 % each during 2006-07, as compared to the corresponding period of 2005-06. The installed capacity and details of production of man-made fibre and filament yarn are given Table 5.2.

**Table 5.2**  
**INSTALLED CAPACITY AND PRODUCTION OF MAN-MADE STAPLE FIBRE / FILAMENT YARN**

Type	No. of Units	Installed Capacity (TPA) 31/08/2006 (P)	Production (Mn. Kg.)					
			2004-05	2005-06 (P)	% age growth	2005-06 (Apr-Aug)	2006-07 (Apr-Aug) (P)	% age growth
<b>Staple Fibre</b>								
Viscose *	6**	342.03	247.95	228.98	-7.65	82.94	85.36	2.92
Polyester	15	696.47	644.16	628.16	-2.48	262.24	328.66	25.33
Acrylic	8	145.00	127.61	107.81	-15.52	50.97	43.51	-14.64
Polypropylene	3	8.00	2.88	3.08	6.94	1.21	1.42	17.36
<b>Total</b>	<b>32</b>	<b>1191.50</b>	<b>1022.60</b>	<b>968.03</b>	<b>-5.34</b>	<b>397.36</b>	<b>458.95</b>	<b>15.50</b>
<b>Filament Yarn</b>								
Viscose	7	79.70	53.56	53.09	-0.88	21.95	21.69	-1.18
Nylon #	10	24.00	35.41	36.84	4.04	16.01	15.08	-5.81
Polyester ##	41	1253.10	1003.63	1075.82	7.19	456.27	500.52	9.70
Polypropylene #	13	17.63	16.30	13.58	-16.69	5.63	6.35	12.79
<b>Total</b>	<b>71</b>	<b>1374.43</b>	<b>1108.90</b>	<b>1179.33</b>	<b>6.35</b>	<b>499.86</b>	<b>543.64</b>	<b>8.76</b>

P = Provisional,

\* = Including HWM fibre.

\*\* = Grasim Industries at Mavoor, Kharach, Harihar & Nagda are treated as four units.

# = The exclusive capacity of N. F. Y. and P.P.F.Y.

## = The Capacity under Broad Banding Scheme has been indicated against P.F.Y.

## IMPORTS

During the last five years, the import of man-made fibre/ filament yarn had increased, however during 2005-06, the import decreased by 17%. The import of polyester filament yarn constituted about 69% of total import during 2005-06. The details of imports of man-made fibres and yarns are indicated at Table 5.3.

## EXPORTS

The export of man-made fibre / filament yarn showed mixed trend during the last five years. The export decreased by 16% during 2005-06, as compared to the corresponding period of last year. The polyester staple fibre & polyester filament yarn constituted about 99% of the total exports during 2005-06. The details of exports of man-made fibres and yarns are indicated at Table 5.4.

Table 5.3

### IMPORT OF MAN-MADE FIBRE / FILAMENT YARN

(In Tonnes)

Year	Viscose Staple Fibre	Polyester Staple Fibre/ tops	Acrylic Staple Fibre tow/tops	Viscose Filament Yarn	Nylon Filament Yarn	Polyester Filament Yarn	Total
2004-05 (P)	1006	15372	14188	2877	14855	114698	162996
2005-06 (P)	1034	15808	11747	2536	11159	92651	134935
% age growth(**)	<b>2.78</b>	<b>2.84</b>	<b>-17.20</b>	<b>-11.85</b>	<b>-24.88</b>	<b>-19.22</b>	<b>-17.22</b>

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata.

P = Provisional

(\*\* The negative growth rate in import of Man-made fibre / filament yarn indicate that import of these items has declined in 2005-06 as compared to 2004-05).

Table 5.4

### EXPORTS OF MAN-MADE FIBRE / FILAMENT YARN

(In Tonnes)

Year	Viscose Staple Fibre	Polyester Staple Fibre/ tops	Acrylic Staple Fibre tow/tops	Viscose Filament Yarn	Nylon Filament Yarn	Polyester Filament Yarn	Total
2004-05 (P)	7513	50116	13947	7700	7011	95666	177833
2005-06 (P)	15355	42609	5192	9914	5009	105658	149165
% age growth(**)	<b>104.38</b>	<b>-14.98</b>	<b>-62.77</b>	<b>28.75</b>	<b>-28.56</b>	<b>10.44</b>	<b>-16.12</b>

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata.

P = Provisional; (\*\* The negative growth rate in export of Man-made fibre / filament yarn indicate that export of these items has declined in 2005-06 as compared to 2004-2005).