

## COTTON SECTOR

### 1. INTRODUCTION:

Cotton is one of the most important commercial crops cultivated in India and accounts for around 25% of the total global cotton production. It plays a major role in sustaining the livelihood of an estimated 6 million cotton farmers and 40-50 million people engaged in related activity such as cotton processing & trade. The Indian Textile Industry consumes a diverse range of fibres and yarns and the ratio of use of cotton to non - cotton fibres in India is around 60:40 whereas it is 30:70 in the rest of the world.

Apart from being the provider of a basic necessity of life i.e. clothing which is next only to food, cotton is also one of the largest contributor to India's net foreign exchange by way of exports in the form of raw cotton, intermediate products such as yarn and fabric to ultimate finished products in the form of garments, made ups and knitwear. Due to its economic importance in India, it is also termed as "White-Gold".

### 2. NATIONAL SCENARIO:

#### 2.1 Acreage under cotton and yield:

India got 1<sup>st</sup> place in the world in cotton acreage with 120.69 Lakh Hectares area under cotton cultivation i.e. around 36% of world area of 333 Lakh Hectares. Around 67% of India's cotton is grown on rain-fed areas and 33% on irrigated area. In terms of productivity, India is on 38<sup>th</sup> rank with yield of 510 kg/ha. Area, Production and yield of cotton for the last 5 years is at Annexure-I.

Year	Acreage (in lakh hectares)	Yield (Lint in Kg/ha)
2016-17	108.26	542
2017-18	125.86	500
2018-19	126.14	449
2019-20	134.77	460
2020-21 (P)	130.07	462
2021-22 (P)	120.69	510

Source: As per Meeting of the Committee on Cotton Production and Consumption(COCPC) held on 12.11.2021, P-Provisional

#### 2.2 Production and consumption of cotton:

India is the country to grow all four species of cultivated cotton *G. arboreum* and *Herbaceum* (Asian cotton), *G. barbadense* (Egyptian cotton) and *G. hirsutum* (American Upland cotton). *G. hirsutum* represents 94% of the hybrid cotton production in India and all the current Bt cotton hybrids are *G. hirsutum*. In India, majority of the cotton production comes from ten major cotton growing states, which are grouped into three diverse agro-ecological zones, as under:-

- i) Northern Zone - Punjab, Haryana and Rajasthan
- ii) Central Zone - Gujarat, Maharashtra and Madhya Pradesh
- iii) Southern Zone - Telangana, Andhra Pradesh, Karnataka and Tamil nadu

India is having 1<sup>st</sup> place in the world with estimated production of 362.18 lakh bales (6.16 Million Metric Tonnes) during cotton season 2021-22 i.e., 23% of world cotton production of 1555 lakh bales (26.44 Million Metric Tonnes). India is also the 2nd largest consumer of cotton in the world with estimated consumption of 338 lakh bales (5.75 Million Metric Tonnes) i.e. 22% of world cotton consumption of 1507 lakh bales (25.63 Million Metric Tonnes).

The details of production and consumption of cotton during the last 5 years is given below:-

Year	Production (in lakh bales)	Consumption (including Mill, SSI and Non Textile)(in lakh bales)
2016-17	345	310.41
2017-18	370	319.06
2018-19	333	311.21
2019-20	365	269.19
2020-21 (P)	353.84	334.87
2021-22 (P)	362.18	338.00

Source: As per Meeting of the Committee on Cotton Production and Consumption (COCPC) held on 12.11.2021, P-Provisional

### 2.3 Import and Export of cotton:

3<sup>rd</sup> largest exporter of cotton with estimated export of 45 lakh bales (0.76 Million MT) i.e. 8% of world export of 597 lakh bales (10.15 Million MT) in 2021-22. Although India is a leading producer and exporter of cotton, some quantity i.e. less than 10% of the total consumption of cotton in India is imported by the textile industry to meet their specific requirement. The following table gives the import and export figures for the last 5 years:

Year	Import (in lakh bales)	Export (in lakh bales)
2016-17	30.94	58.21
2017-18	15.80	67.59
2018-19	35.37	43.55
2019-20	15.50	47.04
2020-21 (P)	11.03	77.59
2021-22 (P)	10.50	45.00

Source: As per Meeting of the Committee on Cotton Production and Consumption (COCPC) held on 12.11.2021, P-Provisional

### 2.4 Balance Sheet of cotton for last 5 years is given below:

Particulars	(Quantity in lakh bales of 170kgs)					
	16-17	17-18	18-19	19-20	20-21(P)*	21-22(P)*
<b>SUPPLY</b>						
Opening stock	36.44	43.76	42.91	56.52	120.79	73.20
Crop (Production)	345.00	370.00	333.00	365.00	353.84	362.18
Imports	30.94	15.80	35.37	15.50	11.03	10.50
<b>Total Supply</b>	<b>412.38</b>	<b>429.56</b>	<b>411.28</b>	<b>437.02</b>	<b>485.66</b>	<b>445.88</b>
<b>DEMAND</b>						
Mill Consumption	262.70	280.11	270.78	233.70	297.45	299.00
S.S.I Consumption	26.21	26.18	22.43	20.49	22.42	23.00
Non Textile Consumption	21.50	12.77	18.00	15.00	15.00	16.00
<b>Total consumption</b>	<b>310.41</b>	<b>319.06</b>	<b>311.21</b>	<b>269.19</b>	<b>334.87</b>	<b>338.00</b>
Exports	58.21	67.59	43.55	47.04	77.59	45.00
<b>Total Demand</b>	<b>368.62</b>	<b>386.65</b>	<b>354.76</b>	<b>316.23</b>	<b>412.46</b>	<b>383.00</b>
<b>Closing Stock</b>	<b>43.76</b>	<b>42.91</b>	<b>56.52</b>	<b>120.79</b>	<b>73.20</b>	<b>62.88</b>

Source: As per Meeting of the Committee on Cotton Production and Consumption(COCPC) held on 12.11.2021, P-Provisional

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## 3. INTERNATIONAL SCENARIO:

- 3.1 As per ICAC Journal ‘Cotton This Month’ – February 2022”, Global production for 2021/22 is currently forecasted to increase by 9% from the previous season, while global cotton consumption is estimated at 25.6 million tonnes, almost at par with previous year. Production for the 2021/22 season will continue to be revised and adjusted as the season progresses.
- 3.2 History has shown that when cotton prices are elevated farmers will increase planted area. As a result of projected increases in planted area and the anticipation of lower abandonment rates due to higher prices, supply for the 2021/22 season was forecasted to increase. Proposed agricultural reform in India was postponed for 18 months to allow more time to negotiate with farmers. As a result of the delay, the ICAC believed that planted area in India would remain approximately the same for the 2021/22 season with the potential for some minor expansion in the largest cotton-producing areas of India such as Maharashtra, Telangana and Gujarat.
- 3.3 Details of major country-wise area & productivity, production, consumption, export and import are as under:-

**Area & Productivity (Yield)**

(Area in Thousand Hectare and productivity in Kgs/Hectare)

Countries	2018-19		2019-20		2020-21		2021-22	
	Area	Yield	Area	Yield	Area	Yield	Area	Yield
<b>World Total</b>	<b>33300</b>	<b>780</b>	<b>34494</b>	<b>758</b>	<b>31511</b>	<b>772</b>	<b>32745</b>	<b>808</b>
India	12614	449	13477	460	13007	462	12069	510
USA	4040	989	4654	932	3347	950	4035	951
China	3367	1794	3300	1758	3170	1864	3028	1892
Pakistan	2370	704	2527	522	2000	445	2110	467
Brazil	1620	1717	1666	1802	1371	1719	1547	1752

Source: World: ICAC Journal ‘Cotton This Month’ – February 1, 2022, India: COCPC

**Production:**

(Quantity in Million Metric Tonnes)

Countries	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>World Total</b>	<b>23.38</b>	<b>27.00</b>	<b>25.98</b>	<b>26.13</b>	<b>24.32</b>	<b>26.44</b>
India	5.87	6.29	5.66	6.21	6.02	6.16
China	4.90	5.89	6.04	5.80	5.91	5.73
USA	3.74	4.56	4.00	4.34	3.18	3.84
Brazil	1.53	2.01	2.78	3.00	2.36	2.71
Pakistan	1.66	1.80	1.67	1.32	0.89	0.98

Source: World: ICAC Journal ‘Cotton This Month’ – February 1, 2022, India: COCPC

**Consumption:**

(Quantity in Million Metric Tonnes)

Countries	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>World Total</b>	<b>24.90</b>	<b>26.35</b>	<b>26.01</b>	<b>22.69</b>	<b>25.66</b>	<b>25.63</b>
China	8.28	8.50	8.25	7.23	8.40	8.20
India	5.28	5.43	5.29	4.58	5.70	5.75
Pakistan	2.22	2.35	2.36	1.98	2.15	2.15
Brazil	0.69	0.68	0.73	0.57	0.69	0.70
USA	0.71	0.70	0.63	0.47	0.52	0.56

Source: World: ICAC Journal ‘Cotton This Month’ – February 1, 2022, India: COCPC

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**Exports:**

(Quantity in Million Metric Tonnes)

Countries	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>World Total</b>	<b>8.29</b>	<b>9.14</b>	<b>9.28</b>	<b>9.20</b>	<b>10.60</b>	<b>9.96</b>
USA	3.33	3.64	3.37	3.47	3.63	2.96
India	0.99	1.15	0.74	0.80	1.32	0.77
CFA Zone	1.00	1.06	1.16	1.07	1.18	1.36
Brazil	0.61	0.91	1.31	1.95	2.40	2.10
Uzbekistan	0.38	0.22	0.16	0.10	0.01	0.01

Source: World: ICAC Journal 'Cotton This Month' – February 1, 2022, India: COCPC

**Imports:**

(Quantity in Million Metric Tonnes)

Countries	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>World Total</b>	<b>8.09</b>	<b>9.04</b>	<b>9.22</b>	<b>8.68</b>	<b>10.05</b>	<b>9.96</b>
China	1.10	1.32	2.10	1.60	2.80	2.20
Bangladesh	1.41	1.67	1.54	1.50	1.69	1.69
Vietnam	1.20	1.52	1.51	1.41	1.55	1.70
Turkey	0.84	0.96	0.79	1.02	1.16	1.17
Indonesia	0.74	0.77	0.66	0.55	0.50	0.54

Source: World: ICAC Journal 'Cotton This Month' – February 1, 2022, India: COCPC

**4. INCENTIVES FOR PROMOTING COTTON PRODUCTION****4.1 Minimum Support Price (MSP) Operations:**

Every year before the commencement of the Cotton Season (Oct. to Sept.), the Ministry of Agriculture based on the recommendations of Advisory Board viz., Commission for Agricultural Costs and Prices (CACP) fixes the MSP with a view to give incentives to the Cotton farmers of the country. Accordingly, taking into consideration of the recommendation of CACP the Ministry of Agriculture is being fixed MSP for two basic varieties of cotton viz. Medium Staple length cotton having staple length of 24.5 mm to 25.5 mm with micronaire value of 4.3 to 5.1 and long staple length having staple length of 29.5 to 30.5 mm with micronaire of 3.5 to 4.3 of new crop of seed cotton (kapas) of Fair Average Quality (FAQ). The MSP fixed by Ministry of Agriculture for the last five years and current year is given below:-

(Rs. In quintal)

Cotton Season	Medium Staple (Staple Length 24.5 to 25.5 mm & micronaire value 4.3 to 5.1)	Long Staple (Staple Length 29.5 to 30.5 mm & micronaire value 3.5 to 4.3)
2016-17	3860	4160
2017-18	4020	4320
2018-19	5150	5450
2019-20	5255	5550
2020-21	5515	5825
2021-22	5726	6025

Based on the Support Price of these two basic varieties of Seed cotton (Kapas) and taking into account the quality differential, normal price differential and other relevant factors, the MSP for other classes of Seed cotton (Kapas) of Fair Average Quality (FAQ) is fixed by Textile Commissioner.

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The MSP for other varieties of cotton for Cotton Season 2021-22 (Oct.-Sept.) as fixed by the Textile Commissioner of India is given below:

Sr. No.	Classes of cotton and name of indicative varieties used by the trade	Fibre Quality Parameters		Suggested Minimum Support Price (MSP) for 2021-22 in Rs/Qntls
		Basic Staple Length (2.5% span length) in mm	Miconaire value	
<b>Short Staple (20.0 mm &amp; below)</b>				
1	Assam Comilla	--	7.0-8.0	5226
2	Bengal Deshi	--	6.8-7.2	5226
<b>Medium Staple (20.5 mm-24.5 mm)</b>				
3	Jayadhar	21.5-22.5	4.8-5.8	5476
4	V-797/ G.Cot.13/ G.Cot.21	21.5-23.5	4.2-6.0	5526
5	AK/Y-1(Mah&MP)/MCU-7 (TN)/ SVPR-2(TN)/ PCO-2 (AP& Kar)/K11(TN)	23.5-24.5	3.4-5.5	5576
<b>Medium Long Staple (25.0 mm-27.0 mm)</b>				
6	<b>J-34 (Raj)</b>	<b>24.5-25.5</b>	<b>4.3-5.1</b>	<b>5726</b>
7	LRA-5166/ KC-2 (TN)	26.0-26.5	3.4-4.9	5826
8	F-414/ H-777/ J-34 Hybrid	26.5-27.0	3.8-4.8	5876
<b>Long Staple (27.5 mm-32.0 mm)</b>				
9	F-414/ H-777/ J-34 Hybrid	27.5-28.5	4.0-4.8	5925
10	H-4/ H-6/ MECH/ RCH-2	27.5-28.5	3.5-4.7	5925
11	Sankar-6 /10	27.5-29.0	3.6-4.8	5975
12	<b>Bunny/ Brahma</b>	<b>29.5-30.5</b>	<b>3.5-4.3</b>	<b>6025</b>
<b>Extra Long Staple (32.5 mm &amp; above)</b>				
13	MCU-5 / Surabhi	32.5-33.5	3.2-4.3	6225
14	DCH-32	34.0-36.0	3.0-3.5	6425
15	Suvin	37.0-39.0	3.2-3.6	7225

The Cotton Corporation of India Ltd. (CCI) has been nominated by the Government of India for undertaking MSP operations in the event when prices of seed cotton (kapas) fall below the MSP level for procuring entire quantity of kapas offered by the cotton farmers in various APMC market yards at MSP rates without any quantitative limit. Following initiatives have been taken for effective & smooth MSP operations to protect the interest of cotton farmers in the country:

- ✧ Set up adequate infrastructure on pan India basis i.e. 17 branches and more than 450 procurement centres in 143 districts.
- ✧ CCI Officials remain present at procurement centres right from the beginning of the cotton season till end to ensure minimum support prices to the cotton farmers wherever prevailing prices of FAQ grade kapas fall below MSP.
- ✧ Disseminating the necessary information regarding MSP rates to cotton farmers by displaying banners in APMCs, Advertisements in newspapers, Cott-Ally app, etc.
- ✧ Developed Cott-Ally mobile app to have direct interaction and outreach with the cotton farmers and to keep the cotton farmers updated about variety-wise MSP rates of cotton, nearest procurement centers of CCI along with contact details, payment tracking, complaint redressal, weather condition, crop situation & best farm practices etc, in regional languages.
- ✧ For monitoring MSP operations, MSP cell has been constituted at CCI Corporate Office and branches in all the cotton growing states.
- ✧ Implemented ERP system from procurement of kapas till its sale.
- ✧ MSP operations are conducted directly from the cotton farmers only in APMC market yards of State Government.

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- ✧ Registration of farmers with their Aadhar no. into ERP system.
- ✧ To ensure genuinity of cotton farmer, live photograph is captured on takpatti (bill) at the time of procurement.
- ✧ All purchase documents to be signed by APMC Official, CCI Official and Farmer.
- ✧ Introduced scientific assessment system through modern gadgets (Digital moisture meter, Micronnaire tester etc) to ensure quality based price.
- ✧ Implemented 100% online payment of cotton purchased under MSP to the cotton farmers directly into their account through RTGS within 72 hours.
- ✧ Procurement under MSP by CCI during last 5 years are given below:

Cotton Season	Production (Qty in Lakh Bales)	Procurement under MSP Operations by CCI	
		Qty in Lakh Bales	%age of Production
2016-17	345.00	No MSP	-
2017-18	370.00	3.90	1%
2018-19	333.00	10.70	3%
2019-20	365.00	105.15	29%
2020-21	353.84	91.89	26%
2021-22	362.18	No MSP	-

In 2016-17, the farmers were selling their produce above MSP and they were not require CCI interventions for MSP. In current cotton season 2021-22 also, farmers are getting better price above MSP and so far MSP intervention is not required. However, CCI is ready to meet any eventuality to undertake MSP operations to safeguard the cotton farmers.

- ✧ Normally, MSP operations of cotton are cyclic and happened once after every four to five years. There were no major MSP operations consecutively for two years in the past. However, cotton season 2019-20 & 2020-21 were exceptional, due to global pandemic. During these two pandemic years when there were no takers of farmers' cotton, CCI safeguarded the cotton farmers from distress sales by undertaking MSP operations of more than two crore cotton bales and more than Rs. 62000 crore were disbursed to about 45 lakh cotton farmers all across the country directly into their bank account.

#### 4.2 Government's Policy on Cotton Distribution:

Ministry of Textiles endeavours to ensure adequate availability of cotton for the consumption of domestic spinning industry keeping in view accelerated investment which has gone into this sector, while the imports and exports of cotton remain free. In order to monitor this, availability and requirement of cotton for domestic consumption is assessed by the Ministry of Textiles on regular basis. The Committee on Cotton Production and Consumption (COCPC) assesses the production, consumption, imports and exports of cotton at regular intervals. It estimates the supply and demand of cotton in a cotton season (1st October to 30th September) and draws up the Annual Cotton Balance Sheet on the basis on the inputs received from Ministry of Agriculture, DGFT, industry association etc. This Balance Sheet defines the estimated production, consumption and carryover to the next cotton season.