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COTTON: WHITE GOLD OF INDIA

Twenty-one per cent of the world's land under cotton cultivation lies in India. But India produces only 13 per cent of the total output of cotton in the world. The industry urgently needs to invest in new technologies and raise per hectare yields.

Cotton, also known as 'white gold', dominates India's cash crops, and makes up 65 per cent of the raw material requirements of the Indian textile industry. In the thirteenth century, the Mongol-Tartar dynasty brought cotton to China from India. Today, China is the largest producer of cotton in the world, whereas India is only the third largest. Interestingly, China today with only half the area under cotton production as compared to India, produces one-



MARKET SURVEY

and-a-half times more cotton, has one-and-a-half times the world market share and three times the yield.

Indian scenario

1. The northern region of India

is the primary producer of short and medium staple cotton, while the southern states primarily grow long staples. The central region grows long and medium staples.

2. India, with an annual production of 15-16.5 million bales (1

bale=170 kg), is the world's third largest cotton producer. India also has the largest area under cotton, and produces around 11 per cent of the world's cotton from 20 per cent of the area.

3. The Ministry of Agriculture estimates India's cotton production in 2003-04 at 123.9 lakh bales. However, other agencies peg the production at 140-160 lakh bales.

4. Despite hav-

ing the largest area under cotton in the world, India ranks third in world output of cotton due to its abysmally low average yield of 300 kg per hectare against a world average of 550 kg per hectare.

5. Although cotton is cultivated in almost all the states in the country, the nine states of Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Punjab, Haryana, Rajasthan, Tamil Nadu and Karnataka account for more than 95 per cent of the area under cultivation and output.

6. In India cotton is sown during March to September and harvested during September to April. The peak marketing season for the crop is during November to March.

7. Cotton is the most important raw material for India's Rs 1,50,000 crore textile industry, which accounts for nearly 20 per cent of the total national industrial production and provides employment to over 15 million people.

8. It also accounts for more than 30 per cent of exports, making it India's largest net foreign exchange industry. India earns foreign exchange to the tune of \$10-12 billion annually from exports of cotton yarn, thread, fabrics, and apparel.

9. Cotton accounts for more than 75 per cent of the total fibre that is converted into yarn by the spinning mills in India, and 58 per cent of the total textile fabric materials produced in the country.

Global scenario

1. The area under cotton production in the world and the world cotton output are estimated at around 30-31 million hectares and 20 million tons, respectively.

2. The biggest cultivators of cotton are America, India, China, Egypt, Pakistan, Sudan and Eastern Europe, with China, US and India being the three largest producers of

Table I

Area Under Cultivation, Production and Yield of Cotton over the Last Decade

Year	Area (lakh hectares)	Production (lakh bales)	Yield (kg/hectare)
1997-98	89.04	158.00	302
1998-99	92.87	165.00	302
1999-2000	87.91	156.00	302
2000-01	85.76	140.00	278
2001-02	87.30	158.00	308
2002-03	76.67	136.00	302
2003-04	76.30	179.00	399
2004-05	87.86	243.00	470
2005-06	86.77	241.00	472
2006-07	91.44	280.00	521
2007-08	95.55	315.00	560
2008-09*	92.60	322.00	591

*Estimated

Table II

Cotton Production in Indian States

(Area in lakh hectares, production in lakh bales, yield in kg/hectare)

State	2008-09*			2007-08		
	Area	Production	Yield	Area	Production	Yield
Punjab	5.37	17.50	554	6.04	22.00	619
Haryana	4.55	14.00	523	4.83	16.00	563
Rajasthan	2.23	7.50	572	3.39	9.00	451
North total	12.15	39.00	546	14.26	47.00	560
Gujarat	24.17	90.00	633	24.22	112.00	786
Maharashtra	31.33	62.00	336	31.94	62.00	330
Madhya Pradesh	6.55	18.00	467	6.30	21.00	567
Andhra Pradesh	13.45	53.00	670	11.38	46.00	687
Karnataka	3.90	9.00	392	4.02	8.00	338
Tamil Nadu	1.20	5.00	708	1.19	5.00	714
Others	0.98	2.00	347	1.08	2.00	315
Total	—	278.00	—	—	303.00	—
Loose Lint	—	12.00	—	—	12.00	—
Grand total	93.73	290.00	526	94.39	315.00	567

*as per CAB dated 13th February 2009

Table III

Trends in the Consumption of Cotton by the Textile Industry

Year	Cotton consumption (lakh bales of 170 kg)
1996-97	158.30
1997-98	149.78
1998-99	151.77
1999-2000	158.97
2000-01	160.33
2001-02	158.70
2002-03	154.05
2003-04	163.39
2004-05	180.55
2005-06	199.00
2006-07	216.15
2007-08	226.00
2008-09*	226.00

*as per CAB 16th October 2008

cotton.

3. The US has a considerable share in world exports. India and China both fall short of their domestic requirements and are net importers of cotton.

4. Among the consumers, China leads the way, followed by India, Pakistan, US and Turkey.

Factors influencing the market for cotton in India

1. Only one-third of the area under cotton cultivation in India is under irrigation, and this causes cotton output to vary considerably from year to year in response to the vagaries of weather and pest attacks.

2. More than 80 percent of the cotton produced is sold out by March 31 every year, and the price starts firming up from April and starts easing only in September when the new crop starts arriving in the market.

3. The government of India fixes the Minimum Support Price for cot-

Table IV

India's Share in World Cotton Production

Area and production	World	India	India's share
Area in million hectares	35.91	9.50	21%
Production in million MT	25.964	3.944	13%

Table V

Cotton Imports in India—1996-97 Onwards

Year	Quantity (lakh bales of 170 kg)	Value (Rs crore)
1996-97	0.30	56.42
1997-98	4.13	497.93
1998-99	7.87	772.64
1999-2000	22.01	1,967.92
2000-01	22.13	2,029.18
2001-02	25.26	2,150.01
2002-03	17.67	1,789.92
2003-04	7.21	880.10
2004-05	12.17	1,338.04
2005-06	4.00	565.21
2006-07 (A)	6.00	N.A.

Source: Cotton Advisory Board for Quantity figures

Note: Value figures are estimated

NA: Not Applicable; (A): Anticipated

Table VI

Cotton Exports from India

Year	Quantity (lakh bales of 170 kg)	Value (Rs crore)
1996-97	16.82	1,655.00
1997-98	3.50	313.62
1998-99	1.01	86.72
1999-2000	0.65	52.15
2000-01	0.60	51.43
2001-02	0.50	44.40
2002-03	0.83	66.31
2003-04	12.11	1,089.15
2004-05	9.14	657.34
2005-06	47.00	3,712.21
2006-07	48.00	N.A.

Source: Cotton Advisory Board for Quantity figures

Note: Value figures are estimated

NA: Not Applicable; (A): Anticipated

ton, and several government agencies, like Cotton Corporation of India and Maharashtra State Co-operative Cotton Growers' Marketing Federation, procure cotton at this price. This sets the trend for the price initially. But the industry involves a large number of players, and market forces work to determine the price later.

4. The import of cotton into the country and exports from the country play an important role too.

Area, production and yield for the last ten years

Table I reveals the progress with regard to area under cultivation, production and yield of cotton in the country over the last ten years.

From Table I it is clear that cotton production over the last ten years has recorded a more than 100 per cent increase, from 158 bales in 1997-98 to 322 bales in 2008-09. Interestingly, the land under cotton production has registered only a 4 per cent increase from 89.04 lakh hectares in 1997-98 to 92.60 lakh hectares in 2008-09, indicating better yields.

Cotton production in Indian states

The Cotton Advisory Board, in its meet-

Table VII
World Cotton Supply and Distribution

	Cotton supply (million tonnes)			Cotton distribution (million bales)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Production	20.430	22.58	21.99	93.83	103.7	101.0
Consumption	21.145	21.51	21.86	97.12	98.8	100.4
Exports	7.129	6.58	6.93	32.74	30.2	31.8
Ending stocks	7.996	9.07	9.20	36.73	41.6	42.3

ing held on February 13, 2009, has placed total cotton production in India during the 2008-09 cotton season at 290 lakh bales of 170 kg each. The figures for different Indian states are given in Table II.

It is clear from this table that in 2008-09 the highest producer of cotton in India is the state of Gujarat (90 lakh bales), followed by Maharashtra (62 lakh bales). At the same time, the yield of cotton is highest in Tamil Nadu (670 kg per hectare) followed by Andhra Pradesh (670 kg per hectare).

Cotton consumption

India’s textile industry is one of the largest industries in the country and has witnessed a phenomenal growth in the last two decades in terms of installed spindlage and yarn production. Significant features of this growth include installation of open-end rotors and setting up of export-oriented units. The Indian spinning industry has been able to keep pace with international technology trends to a fair degree, and this pace of modernisation did receive a fillip after the ‘Technology Upgradation Fund’ was launched by the government of India in April 1999.

The growth of the spinning industry and its modernisation has led to sustained growth in cotton consumption, especially during the years when the country harvested a good crop. After achieving sustained

growth in cotton consumption during the Tenth Plan period, domestic cotton consumption increased by about 7 per cent in the year 2005-06, by around 9 per cent during 2006-07, and by around 6 per cent in 2007-08.

India’s share in the world

Table IV reveals India’s share of cotton production and area in the world.

From the table it is clear that India’s share of world cotton production stood at 13 per cent, while its share in the area under cotton cultivation in the world stood at 21 per cent.

India is the third largest producer of cotton in the world after China and USA, accounting for about 13 per cent of the world cotton production. It has the distinction of having the largest area under cotton cultivation in the world, ranging between 8.00 million to 9.00 million hectares, and constituting about 21 per cent of the world area under cotton cultivation. The yield per hectare is, however, the lowest against the world average, but over the last two years has shown a promising potential to touch the world average.

Cotton imports in India

Table V shows cotton imports in India during the period 1996-97 to 2006-07.

The table clearly reveals that

cotton imports in India, which stood at Rs 56.42 crores in 1996-97, increased to Rs 565.21 crores in 2005-06, which is more than a ten-fold increase.

Cotton exports from India

Table VI indicates cotton exports from India from 1996-97 to 2006-07.

The table shows that cotton exports from India recorded a huge 124 per cent increase from Rs 1655 crores in 1996-97 to Rs 3712.21 crores in 2005-06.

World cotton supply and distribution

Table VII depicts world cotton supply and distribution from 2003-04 to 2005-06.

From the table it is clear that the world supply and production of cotton, which stood at 20.43 million tons in 2003-04, increased to 21.99 million tons in 2005-06. The distribution of cotton increased from 93.83 million bales in 2003-04 to 101 million bales in 2005-06. Exports of cotton fell from Rs 32.74 million bales in 2003-04 to 31.8 million bales in 2005-06.

To sum up, the biggest cultivators of cotton in the world are America, India, China, Egypt, Pakistan, Sudan and Eastern Europe, with China, US and India being the three largest producers of cotton. Today, China is the largest producer of cotton in the world, whereas India is only the third largest. What India urgently needs is the use of new technologies to increase its output in the face of shrinking land and water resources.

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