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SIMA fervently appeals to the Union Finance Minister to withdraw cotton import duty

The levied duty is severely hurting the global competitiveness of the Indian Textile and Clothing Industry

The Indian textiles and clothing industry is predominantly cotton based and provides jobs to over 105 million people including 6.5 million cotton farmers. Cotton has been the engine of growth for the Indian textile industry since several decades and accounts for 80% of the total textile and clothing exports.

Though the country has become the largest cotton producer in the world and accounting 1/3 rd of the area under cotton, the availability of Extra Long Staple (ELS) cotton and the presence of high contamination in most Indian cottons have become major challenges for the Indian cotton textile industry, especially in the value-added segments both in the domestic and international markets. In addition, some importers of Indian home textiles and garments have specific requirements for using branded cottons such as Pima and Giza.

The existing BT technology that covers over 95% of the area under cotton has made India a cotton surplus country, only in the medium and long staple cotton varieties.

Indian cotton varieties continue to remain in the top 10 world cotton varieties that contain the highest contamination levels. This is largely due to the manual picking and transport to the ginning units in small batches that is prevalent in most of the cotton growing areas. Therefore, the industry is depending on imports for ELS, contamination free and sustainable cottons to produce high value-added products (400% to 500% of raw material cost). The import of such cottons accounts for only 4% of the annual cotton requirement in our country.



Ashwin Chandran, Chairman, The Southern India Mills' Association (SIMA)



The levy of these import duties is a major blow to the Indian Cotton Textiles Industry which was just recovering from the losses suffered during the pandemic and lockdowns last year. Similar import duty policy intervention of 10% customs duty, 4% additional customs duty and 3% education cess exercised during 2007-08 had a severe impact on Indian spinning industry and after understanding the ill effects the Government withdrew the import duty.

Mr. Ashwin Chandran, Chairman, SIMA, has appealed to the Honourable Union Finance Minister to withdraw both the basic customs duty and the agriculture infrastructure development cess levied on cotton.

Mr Ashwin, while appreciating the bold initiatives of the Finance Ministry in addressing the structural issues in Man-Made Fibres, stated that the import duty on raw cotton would erode the competitiveness the value-added segments that has a business size of around Rs.50,000 crores in exports and Rs.25,000 crores in the domestic market. These segments provide jobs to around 12 lakh people.

He said that it has taken over a decade for the Indian textile industry to build up the market share in these segments and with the levy of cotton import duty, we will lose our competitiveness and market share to the competing countries such as Bangladesh, Sri Lanka, Pakistan and Vietnam.

The Ministry of Textiles is in the process of launching the "Nirmal (Clean) Cotton Mission" to promote Speciality Cotton projects (ELS cotton and Organic Cotton) and to bridge the gap in the quality requirements by promoting a cleaner home-grown cotton brand, "Kasturi Cotton".

The Indian cotton farmers are suffering due to the deterioration in the yields (from 567 kgs/ha achieved in 2013-14 to around 460 kgs/ha during the last two seasons) due to inconsistent rainfall and poor seed supplies.

The Government is incurring huge losses in exercising MSP operations that had to be increased considerably to compensate the farmers adequately. The Technology Mission on Cotton 2.0, proposed by the Ministry of Textiles to address the issues of quality improvement and adoption of global best practices in cotton farming is yet to be announced and implemented.

The announcement with regard to the levy of 5% BCD and 5% AIDC with applicable cess on the import of cotton in the Union Budget 2021-22 does not benefit the Indian farmers.

SIMA Chairman stated that the Government might receive around Rs.360 crores per annum as additional revenue on account of the import duty on cotton but will in turn imperil annual GST revenues of around Rs.1800 crores.

More importantly, the import duty will not benefit the Indian cotton farmers owing to the negligible volume of imports and the non-availability of such speciality cottons in India at the moment.

He has also pointed out that since the Indian textiles and clothing exporters are predominantly MSMEs, it is practically impossible for them to avail duty exemption under the Advance Authorization Scheme.