

**GOVERNMENT OF INDIA
TEXTILES
LOK SABHA**

UNSTARRED QUESTION NO:4783
ANSWERED ON:23.05.2006
IMPORT OF COTTON
Ahir Shri Hansraj Gangaram

Will the Minister of TEXTILES be pleased to state:

- (a) whether the import of cotton is permissible at present;
- (b) if so, the details thereof;
- (c) whether the agricultural organizations have opposed the import of cotton;
- (d) if so, the main points for opposition;
- (e) whether the government has assessed the impact of cotton import on the domestic cotton production;
- (f) if so, the details thereof; and
- (g) the steps being taken by the government to protect the interest of the cotton producers in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF TEXTILES (SHRI E.V.K.S. ELANGO VAN)

(a) : Yes Sir.

(b): The import of raw cotton is already under Open General Licence (OGL) with effect from 19.4.1994 and the said policy is still being continued. The existing basic custom duty on import of raw cotton is 10%.

(c) & (d): Due to record production in the country during 2004-05 as well as expected higher cotton production for the second consecutive year during current cotton season 2005-06, the cotton prices in domestic market have declined and there have been demand from various quarters, especially Farmers' Associations to increase import duty on cotton so as to curb cheap imports into the country and protect the interest of the cotton farmers.

(e) & (f): To help the domestic textile industry to source cotton at competitive prices, the import of cotton was placed under OGL in 1994. Subsequently, to check upon the tendency of cheap imports, the Government of India had levied an import duty of 5.5% with effect from 1.9.1999 and raised the same to 10% in January, 2002. Massive imports had taken place during the period from 1999-00 to 2002-03. During cotton season 2003-04, cotton production in the country has started increasing significantly and since last two seasons, even after meeting the increasing demand of domestic textile industry, the country is having surplus cotton for export sales. With this changed scenario, import of cotton into the country has declined considerably and the same are now restricted to Extra Long Staple (ELS) varieties of cotton, which are in short supply in the country.

(g): With the view to improve the production, productivity and quality of cotton and reduction in cost of cultivation, in order to provide abundant supply of good quality cotton at competitive prices to the textile industry and a remunerative return to the farmer, Government of India had already launched Technology Mission on Cotton (TMC) in February, 2000. In order to ensure remunerative price to the cotton farmers of the country, the Government of India has been fixing the minimum support prices (MSP) every year for various varieties of FAQ grade kapas. In order to ensure that the cotton growers get remunerative prices for the kapas produced even when the annual production within the country is more than the consumption by the local mills, the Government has put export of cotton under OGL without any export duty. With a view to give further boost to cotton exports the exporters are entitled for 1% duty drawback over and above the export price realizable.