



COTTON FACT SHEET INDIA

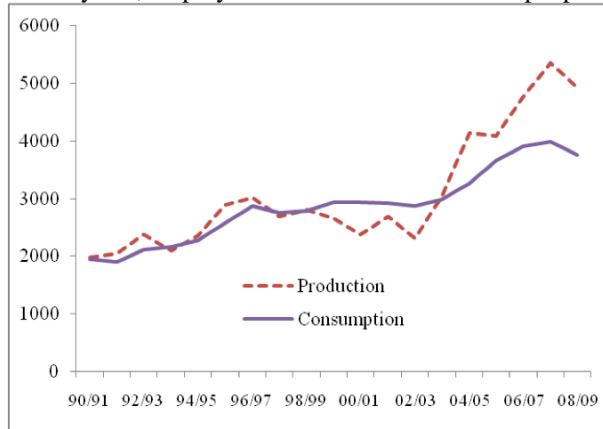
India is the 15th largest economy in the world with a GDP of USD3.319 trillion and a GDP per capita of USD2,900. It has the 2nd largest population right behind China with around 1.16 billion people (2008 estimates).

OVERVIEW

As of 2008/09, India is the 2nd largest cotton producer and consumer. Cotton is one of the principal crops of the country and is the major raw material for the domestic textile industry. In 2008 the textile industry accounted for 14.4% of the country's export earnings. Mill consumption of cotton has one up by about 2% to 4 million tons in 2007/08.

ECONOMICS

Production in 2007/08, totaled a 5,355,000 tons, with an estimated yield of 567 kilograms/hectare. The cotton industry has, employs an estimated 46.6 million people.



India is a major exporter of cotton. After emerging as the second largest exporter of cotton behind the U.S. for two consecutive years, India's cotton exports during 2008/09 faltered as the high minimum support price (MSP) made Indian cotton uncompetitive in the international market. India's exports reached 751,000 tons in 2005/06 and continued to climb in subsequent seasons (960,000, 1,500,000, tons in 2006/07 and 2007/08, respectively). In 2008/09 estimated at 450,000 tons. Major export destinations are Bangladesh, Pakistan, China (Mainland) and other Far-east countries.

Imports have risen slightly. Imports were high at the turn of the century (520,000 tons in 2001/02) but dropped due to the rapid expansion of the domestic cotton industry. However as of July 2008, the Indian government abolished the duty on cotton

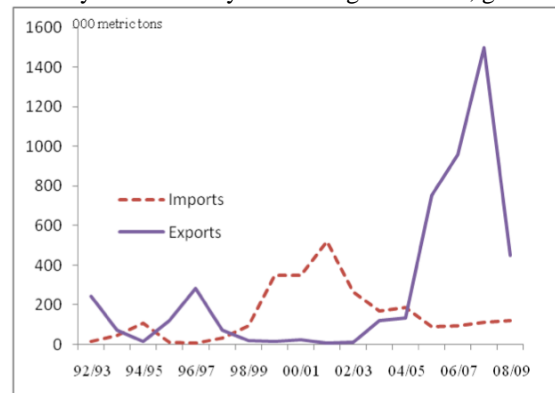
imports into the country boosting imports to 130,000 tons in 2008/09. Most of the imports are Extra Long Staple (ELS) and cotton from the U.S., Egypt, and West Africa.

India's textile industry is of considerable volume. India is the second largest producer of textiles and garments after China (Mainland) and has a share of 3.9% in the global textile trade. Textile plays a pivotal role through its contribution to industrial output, employment generation and the export earnings of the country. In 2008, it contributed about 14% of industrial production, 4% of the GDP and provided direct employment to over 33 million people. The textile sector is the second largest provider of employment after agriculture. After three consecutive years of steady double digit increase, growth cotton textile exports in the first five months of 2008/09 slowed to 4%. The trend can be attributed to the global economic and the current financial crisis.

The Indian textile industry consumes a diverse range of fibers,, but is predominantly cotton based. Since late 2007, the textile industry has been facing severe challenges due to an increase in the price of raw material, depressed global demand for textiles, and infrastructure problems.

The Indian textile industry is composed of two sectors. The "organized" sector (large-scale spinning units and composite mills); produces 95% of yarn. The organized sector weaving mills account for 5% of cloth production. The "unorganized" sector, (small-scale spinning units, power looms, handlooms, hosiery units) account for the rest of production. The weaving industry is mainly supplied by the unorganized sector, with power looms accounting for 60%, handlooms for 18%, and hosiery units for 17 % of total cloth production (2008 estimates).

Indian textile exports are typically targeted at the lower quality end of the international market. A few modern integrated textile units are now focusing on exports of finer count yarns, fabric, and branded garments for the upper segment of the world market. The sharp weakening of value of the Indian rupee since February 2009 has improved export price realization in rupee terms. Consequently, industry sources report an improvement in export demand for textile products. Export demand for Indian textiles is expected to recover in 2009/10 provided the Indian rupee remains stable.





PRODUCTION CHARACTERISTICS

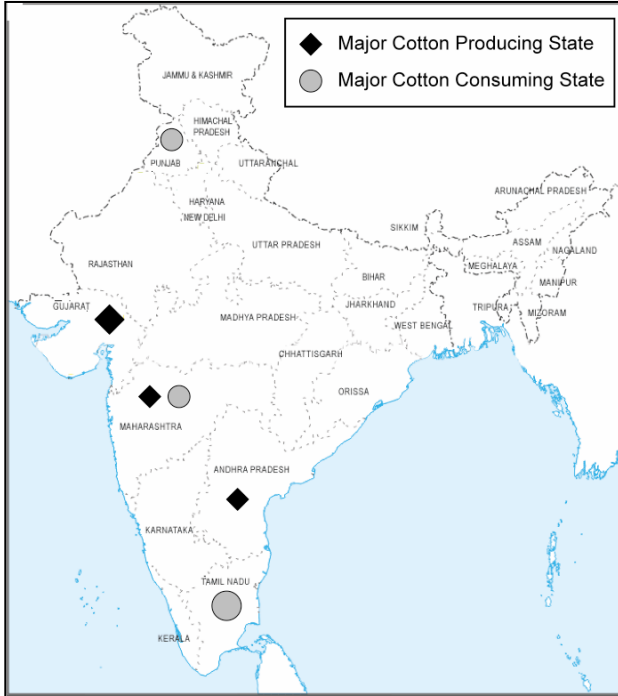
The planting period in India takes place from March to September while harvesting takes place from October to February. Cotton is produced in three zones, the Northern zone comprising the states of Punjab, Haryana and Rajasthan, the Central zone comprising the states of Maharashtra, Madhya Pradesh and Gujarat and the Southern zone comprising the states of Andhra Pradesh, Karnataka and Tamil Nadu. Besides these 9 states, cotton cultivation is gaining momentum in the state of

Orissa. About 70% of total cotton production is accounted by the states of Gujarat, Maharashtra and Andhra Pradesh.

India has the largest area devoted to cotton cultivation (9.4 million hectares in 2008/09) with an estimated 4 million farms. Approximately 65% of India's cotton is produced on rain-fed areas.

India is the only country to grow all four species of cultivated cotton *Gossypium arboreum* and *herbaceum* (Asian cotton), *G. barbadense* (Egyptian cotton) and *G. hirsutum* (American Upland cotton). *Gossypium hirsutum* represents 90% of the hybrid cotton production in India. India produces a large number of cotton varieties and hybrids. Though the number of varieties in cultivation exceeds seventy-five, 98% of the production is contributed by about 25 varieties.

The rapid growth in yields (between 2002/03 to 2007/08) is attributed to the introduction and expansion of biotech cotton and improved hybrid cotton varieties, improved crop management practices and overall favorable weather conditions in most of the states involved. According to recent studies, with the area under biotech cotton and improved varieties nearly peaking, the prospect for future growth in productivity is limited as most cotton is grown under rain fed conditions and on land holdings of small size. Although the potential exists for a further increase in yields, cotton farmers will have to invest more in production technologies for improved management of irrigation, fertilizers, micro nutrients and



pests and diseases, i.e., move toward precision farming.

STRUCTURE OF INDUSTRY

The Indian government actively participates in the industry and serves as an umbrella for government agencies like Cotton Corporation of India (CCI) and state marketing federations. Furthermore, the state governments and regions in which the majority of the cotton planting occurs are also highly involved. In addition, there are committees and institutions responsible for the improvement of quality such as Genetic Engineering Approval Committee (GEAC) and the Central Institute of Cotton Research (CICR). Finally, though not limited to the cotton industry but also playing a large role is the Ministry of Textiles.

ISSUES

Issues that generally plague the cotton industry are those related to the level of technology and modernization in the industry. These issues generally lead to larger problems that make the successful commercialization of cotton as a cash crop difficult. Consequently for the majority, cotton agriculture is stuck at the subsistence level. However, this is being addressed by the Technology Mission on Cotton (launched in February 2000) which continuously aims at improving the quality and productivity of cotton. The Mission consists of four Mini Missions focusing on research and development on cotton, dissemination of technology to the farmers, improvement of marketing infrastructure and modernization of ginning and pressing sector. Simultaneously, workshops, seminars and public meetings are also being organized to maximize its impact by creating awareness among the cotton growers and to motivate them to follow the Best Management Practices for improving quality of cotton and reducing the level of contamination.