

# **Demand for Reduction of Import Duty on Cotton**

## Why in News

Recently, the Tamil Nadu Chief Minister has requested the **Union Textiles Minister** to direct the concerned ministries to **remove import duty levied on** cotton.

• The textile industry is the second largest employment provider in the state and Tamil Nadu accounts for 1/3rd size of the textile business of the country.

## **Key Points**

- Major Demands:
  - Removal of the 11% Import duty levied on cotton imports. Also **Yarn** manufacturers may be given priority over traders in cotton procurement.
  - Extension of **5% interest subvention to spinning mills for cotton procurement** during the peak season (December-March).
  - Reducing the minimum lot size of e-auction of cotton to 500 bales, which is sustainable for the <u>Micro, Small and Medium-sized Enterprises (MSMEs)</u>, has also been urged.
- Reasons for the Demand:
  - The demand is because of the **grave situation of cotton and yarn price volatility** and its impact on the prices of fabrics and garments.
    - The **present crisis has led to mass cancellation of export orders** and hardships in fulfilling long term export commitments.
  - One of the major reasons for the cotton price volatility is due to the imposition of 5% Basic Customs Duty (BCD), 5% Agriculture Infrastructure Development Cess (AIDC) and 10% Social Welfare Cess in the Budget 2021-22 which amounts to an overall import duty of 11%.
- Concerns related to the Import Duty:
  - The import duty on raw cotton would erode the competitiveness of the value-added segments that have 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.

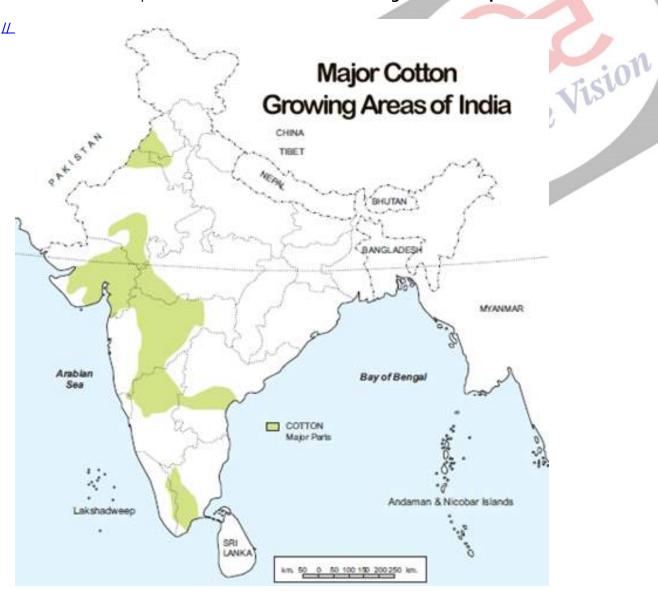
### Cotton

- About:
  - **Kharif Crop** which requires 6 to 8 months to mature.
  - Drought resistant crop ideal for arid climates.
  - Occupies 2.1% of the world's arable land, meets 27% of the world's textiles needs.
  - Temperature: Between 21-30°C.
  - Rainfall: Around 50-100cm.
  - Soil Type: Well-drained black cotton soil (Regur Soil) (E.g. Soil of Deccan Plateau)
  - **Products:** fibre, oil and animal feed.
  - Top Cotton Producing Countries: India > China > USA
  - **Top Cotton Producing States in India:** Gujarat > Maharashtra > Telangana > Andhra Pradesh > Rajasthan.

- **Four cultivated species of cotton:** Gossypium arboreum, G.herbaceum, G.hirsutum and G.barbadense.
  - Gossypium arboreum and G.herbaceum are known as old-world cotton or Asiatic cotton.
  - G.hirsutum is also known as American cotton or upland cotton and G.barbadense as Egyptian cotton. These are both new world cotton species.
- Hybrid Cotton: Cotton made by crossing two parent strains that have different genetic characters. Hybrids are often spontaneously and randomly created in nature when openpollinated plants naturally cross-pollinate with other related varieties.
- **Bt Cotton:** It is a genetically modified organism or genetically modified pest-resistant variety of cotton.

#### Cotton in India:

- Cotton is an important fibre and cash crop which plays a dominant role in the industrial and agricultural economy of India.
- India is the **largest producer of cotton in the world** and the <u>third largest exporter</u>. It is also the largest consumer of cotton in the world.
- The pest-resistant <u>Genetically Modified (GM) Bt cotton hybrids</u> have captured the Indian market (covering over 95% of the area under cotton) since their introduction in 2002.
- India produces about **6 million tons of cotton every year** which is about 23% of the world's cotton.
- India produces about **51% of the total organic cotton production of** the world.



## **Source: TH**

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