

# INDIA LIFTS COTTON YARN EXPORT RESTRICTIONS... MIXED REACTIONS

While the Indian garment export industry has expressed disappointment at the removal of cotton yarn exports from the negative list and putting it under OGL with effect from April 1, the spinning community in India and EU Textile and Clothing Industry have welcomed the move. "The imposition in December 2010 of a quota of 720 million kg to exports of cotton yarns by the Indian Government created an extremely difficult market situation with rising prices, lack of availability and severe disturbances in the T&C supply chain in the EU," said **Alberto Paccanelli, President, EURATEX**. According to Alberto, this decision by the Indian Government is a positive sign. "We hope it will contribute to alleviate the pressure and speculation that we have been witnessing in these last few months," he adds.

"I welcome the lifting of cotton yarn exports restrictions to EU as well as to other countries," said **R.L. Nolkha, Chairman, Nitin Spinners Ltd., Bhilwara** voicing the general opinion of the spinners. **S.N. Modani, MD, Sangam India Ltd., Bhilwara** adds, "This would be of significant help to grab a major share in the world market, as China has reduced its cotton acreage due to its Government policies and is strategically changing itself from a mass supplier to a value supplier. With China leading the global textile trade, India ranks 2nd with 8% of the world's total textile output still India is nowhere near China in numbers."

Though the restrictions have been removed, registration process which is very cumbersome and delays registration of contracts and hence shipments is still a concern for spinners. "We hope DGFT will devise a more simple and faster way of getting registration done of yarn contracts," says **Sanjay K Jain, Jt. Managing Director, TT Ltd.** However, the apparel industry in India feels that the lifting of restrictions on cotton yarn will result in both unchecked exports of yarn and price increases, resulting in its scare supply in domestic market. In a letter to Anand Sharma, Union Minister of Commerce and Industry, **Rakesh Vaid,**

**THE APPAREL INDUSTRY IN INDIA FEELS THAT THE LIFTING OF RESTRICTIONS ON COTTON YARN WILL RESULT IN BOTH UNCHECKED EXPORTS OF YARN AND PRICE INCREASES, RESULTING IN ITS SCARE SUPPLY IN DOMESTIC MARKET**

**President, GEA** pointed out that garment exporters have been undergoing serious crisis due to non-availability of adequate supply of cotton yarn at reasonable prices and requested him to put cotton yarn back on the negative list because of the extraordinary and excessive rise in the price of cotton yarn.

He further said yarn exports constitute less than 10 per cent of overall textiles exports, but have a potential to derail exports of value-added and job creating products like garments and made-ups. While keeping the export of cotton yarn in negative list, Vaid requested the Government to maintain the export ceiling at 720 million kg for this year also.

Reacting sharply on the issue **Ashu Kapoor, Director Surya Processors, Ghaziabad** says, "I am not sure what the compulsions for the Government were, but Indian fabric and garment manufacturers' problems have increased. The

Indian yarn and grey fabric prices have been continuously rising for the last six months. It is getting practically difficult to do business in so much volatility (of course in one direction!). The typical business cycle can be anywhere from 30 to 90 days depending on where in the supply chain one is. No body can guarantee what the price of the cotton is going to be at the time of actual purchase." He further adds, "Chinese, with their deep pockets, imported huge quantities of cotton from India at attractive prices and are now selling goods in the Indian market at attractive prices. With rising interest rates, shorter credit limits from suppliers, Indian manufactures could not cover as much cotton as they would like to.

In the meanwhile, EURATEX President said that the imposition of export restriction by the Indian Government, along with the one on cotton fibre, was poisoning EU's business relations with India and casting a shadow on the EU-India FTA negotiations in textiles and clothing. "The lifting of the restrictions on cotton yarn is a positive step taken by India and we hope that in the near future the restrictions on exports of cotton fibre will also be lifted. In this way we can solve two of the major problems affecting currently the trade negotiations in our sector," concluded the EURATEX President.



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