Suspension of Import duty on cotton

Prelims: Current events of national and international importance

Why in News?

In the wake of declining production of cotton, the Central government has recently withdrawn the 11% import duty it introduced in February 2021.

- **Cotton -** It is the main raw material for the textile industry.
- **Global Rank -** India is the ***second-largest cotton producer*** globally.
- **Cultivation Area -** It boasts the largest area under cotton cultivation worldwide. It is grown by nearly six million farmers in India.
- **Current situation -** The overall domestic cotton production is down to 294 lakh bales, the lowest in the last 15 years, against the requirement of 318 lakh bales (including non-mill use).
- Cotton production in the 2024-2025 cotton season (October to September) is estimated to be nearly 20 lakh bales lesser than the last cotton season.
- Imports are also likely to be highest at about 40 lakh bales, with major supplies coming from Australia, the U.S., Brazil, and Egypt.
- The Cotton Corporation of India purchased nearly 100 lakh bales of cotton from farmers at Minimum Support Price (MSP) during the ongoing cotton season.
- For the 2025-2026 cotton season, the government has hiked the MSP by **8%.**
- It is said that only about two lakh bales of imported cotton that are in transit will be available without the duty as it will reach Indian shores by September 30.
- Several international brands are highlighting that cotton suppliers and garment manufacturers need to use cotton from these suppliers.
- When garment exporters compete in the international market, the raw material price was higher because of the duty. They will have a level-playing field without the duty.
- However, cotton farmers are not in complete agreement with these views.
- **Need** - The industry is looking at two major support measures from the

government, it wants a stable policy so that the industry can plan for raw material procurement.

- The government should suspend the duty every year during the non-peak season (April to September) as the farmers would have sold majority of the produce by then.
- It also wants 5% interest subvention for working capital that textile mills need to purchase cotton during the peak season.
- If the mills, especially MSME units, have adequate funds, they can cover the required cotton and government need not spend on MSP operations.

Reference

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