

A New Force Emerges

Indian Cotton Takes Its Place on the World Stage

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Since the advent of Bt cotton in the year 2002, the cotton crop in India has seen an agricultural revolution of sorts. In 2009, Bt cotton accounted for 8.4 million of the 9.6 million hectares planted (87 percent)—an enormous number, given the fact that a paltry 29,000 hectares of Bt cotton was planted in 2002. It is expected that about 9.1 million of the 10.7 hectares (85 percent) of cotton planted in 2010 will be Bt cotton.

This technology has given cotton production in India a shot in the arm, helping to double output from 14 million bales in 2000-01 to 29.5 million bales in 2009-10. The outlook for coming years is equally bright, as we look to hit the 40 million-bale mark by the year 2013.

Cotton has outperformed every other agri-commodity and helped the farmers in India get extremely remunerative prices for their crops. Robust demand from both the domestic and international markets has ensured that cotton prices will maintain a healthy growth rate in the near future.

Attaining self-sufficiency in cotton fiber has been the domestic textile industry's most significant achievement of the last decade. However, despite the increases in acreage and yields, the cotton industry was able to bring its infrastructure and manufacturing facilities up to international standards mostly due to government initiatives such as the Technology Mission on Cotton (TMC) and Technology Upgradation Fund Scheme (TUFS).

These government initiatives have resulted in a paradigm shift in the perception of the quality of cotton fiber in India, greatly improving the international reputation of the nation's fiber, yarn and fabric.

The states of Maharashtra, Gujarat and Andhra Pradesh grow about 75 percent of the entire cotton crop in India, and for years, each state has marketed and promoted its particular strain (MECH, SHANKAR-6 and MCU-5, respectively). However, due to the widespread cultivation of Bt cotton, cotton traits have become similar regardless of which state it comes from.

As a result, if cotton types from all states were to be consolidated under a single, marketable brand name, penetra-

tion into international markets would be that much easier. It would revolutionize the channel of direct marketing to actual end-use consumers in overseas markets.

Furthermore, if the entire crop were to be marketed under a single brand, it would be possible to establish a proper hedging mechanism in commodity exchanges like the Multi Commodity Exchange (MCX) and National Commodity and Derivatives Exchange (NCDEX). This type of risk management tool would provide protection from extreme price volatility to all the participants: farmers, ginners, traders, etc.

Now that the world cotton-trading platform respects the significance of India and its policies, it would certainly be

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advantageous if steps were taken to encourage international exchanges like the New York Board of Trade (NYBOT) to offer hedging products for the Indian market.

Waste not, want not

When people in the boardrooms talk about cotton and its significance, the only thing they discuss is lint. Although the technological advances made by the textile industry have helped to incorporate cotton into all aspects of our lives, lint is only a third of the total cotton product.

What about the remaining 66 percent: the cottonseed? Why is it termed a byproduct, and why do all cottonseed sales efforts need to be value-added? We must develop a proactive initiative to find varied uses of cottonseed, rather than allowing it to be limited to cattle feed. More than ever—in light of the positive outlook for crops in coming years—cotton industry professionals need to work together to encourage investment and develop incentives that make the best use of all parts of the cotton product. 🌐