



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 **[Micro, Small and Medium-sized Enterprises \(MSMEs\)](#)**, 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 open-pollinated 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 [third largest exporter](#). It is also the largest consumer of cotton in the world.
- The pest-resistant **Genetically Modified (GM) Bt cotton hybrids** 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](#)

PDF Refernece URL: <https://www.drishtias.com/printpdf/demand-for-reduction-of-import-duty-on-cotton>

