

India Suspends Cotton Import Duty Amid Production Decline

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Cotton Import Duty Suspension India Latest News

- Cotton, the key raw material for India's textile industry and grown by nearly **six million farmers**, has seen a decline in domestic production.
- To address this, the Centre has **withdrawn the 11% import duty**—first imposed in February 2021—until **September 30**, when the current cotton season ends.
- The move follows a steep rise in cotton imports last year, despite the duty being in place.

Introduction and Withdrawal of Cotton Import Duty

- The import duty was announced in the 2021 Budget, when the country was producing 350 lakh bales of cotton annually against the requirement of 335 lakh bales.
 - While the country was exporting cotton, there were imports too and the duty was aimed at protecting the interest of cotton growers.

- However, as the textile industry later faced a raw material shortage, the government exempted all varieties of cotton from the duty between April–September 2022, later extending it to October 2022.
 - According to the Global Trade Research Initiative, cotton imports surged 107.4%, rising from \$579.2 million in FY2023-2024 to \$1.20 billion in FY2024-2025.

Implications of Cotton Import Duty Withdrawal

- With this, the government has scrapped both the **5% basic customs duty** and the **5% agriculture cess** on cotton, enabling mills to **source raw material at lower costs**.
- This move is expected to **cool domestic cotton prices**, benefitting everything from **T-shirts to handloom sarees**, and provide relief to **SMEs in the textile sector**.
- The decision comes as **Indian apparel exporters face steep global competition**, burdened by nearly **60% tariffs in the US** (compared to Bangladesh and Vietnam at 20%).
- Rising cotton prices at home had further strained the industry, making the exemption a step taken in the **“public interest”**.

Implications

- The withdrawal of cotton import duty will mainly benefit garment exporters, as around two lakh bales in transit will now enter duty-free.
- This will give them a level-playing field internationally where high raw material costs earlier hampered competitiveness.
 - Several global brands also expect Indian suppliers to use this imported cotton.
- However, farmers have voiced concerns, arguing that the move discourages cotton cultivation.
- Without adequate government support, they feel the decision undermines their interests, even as exporters and manufacturers stand to gain.

Current Status of Cotton Production and Imports in India

- India’s **domestic cotton production** has fallen to **294 lakh bales** in 2024-25, the lowest in 15 years, against a requirement of 318 lakh bales (including non-mill use).
- Output this season is projected to be 20 lakh bales lower than last year.
- To bridge the gap, imports may touch 40 lakh bales, mainly from **Australia** (\$258.2 million), **the U.S.** (\$234.1 million), **Brazil** (\$180.8 million), and **Egypt** (\$116.3 million).
- Meanwhile, the Cotton Corporation of India (CCI) procured around 100 lakh bales at MSP, spending ₹37,500 crore, and has already sold 73 lakh bales in the market.
- For the 2025-26 season starting October 1, the government has announced an 8% hike in MSP, with fresh supplies expected from northern States in October and central and western States after Deepavali.

Long-Term Solutions for Cotton Sector

- The textile industry seeks **policy stability** in cotton procurement.

- It suggests the government **suspend import duty during the non-peak season (April-September)**, after farmers sell most of their produce, ensuring mills access affordable raw material without affecting growers.
- Additionally, the industry has asked for a **5% interest subvention on working capital** to help mills, especially **MSMEs**, purchase cotton during the peak season.
- With sufficient funds, mills could cover their cotton needs, reducing dependence on costly **MSP operations** by the government.

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