



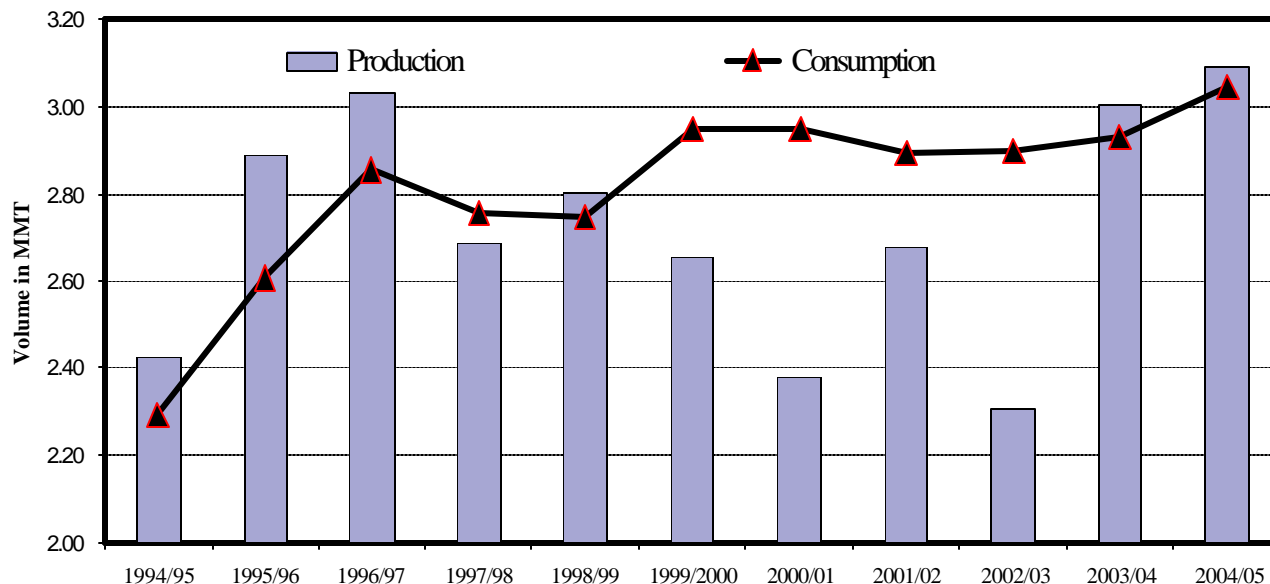
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Cotton: World Markets and Trade

Indian Mill Use and Production Hit Records



According to newly available USDA data, Indian mill use and production are expected to hit historic highs in MY 2004/05. Consumption is forecast at 3.0 million metric tons, up 4 percent from the previous year. Production is forecast at 3.1 million metric tons, up 3 percent from the previous year.

India is already the second largest user of cotton in the world with an average 2.9 million metric tons of mill use per year. Because of its low cost of production and economies of scale, India is expected to expand its apparel and textile industries. Experts believe that India will benefit when the current system of quotas governed by the Multi-Fiber Arrangement (MFA) is terminated. Also concerns about Chinese mill use raised by tighter credit, increasing labor and energy costs, and the threat of U.S. safeguards is making India an attractive alternative. Targeting both domestic and export markets has helped the apparel industry to grow at an annual rate of 15 to 20 percent.

India is the third largest cotton producer in the world, with an average 2.6 million metric tons production a year. With the exception of some high-quality ELS, India produces most of the cotton used by its textile industry. Better than average late-season rainfall is likely to result in favorable yields; however, the increase in production from last season is attributable to additional area. Last year's record yields and high cotton prices combined with extended monsoon rains, have encouraged Indian cotton farmers to plant more area.

Approved by the World Agricultural Outlook Board