

Speech

of

Thiru. Dayanidhi Maran

Union Minister of Textiles

at

The inauguration of

**Cotton Corporation of India's
Depot Sales Scheme for Cotton in Tamil Nadu**

at

10: 30 A.M.

on

8th February, 2010

at

Coimbatore

Thiru. Pongalur N. Palanisamy Avargal, Minister for
Rural Industries and Animal Husbandry, Tamil Nadu

Thiru. K. K. S.S.R. Ramachandran Avargal, Minister
for Backward Classes and Handlooms, Tamil Nadu

Thiru. R. Venkatachalam, Mayor, Coimbatore
Corporation

Thiru. J. Thulasidharan, Chairman, South India Mills
Association

Thiru. S. V. Arumugam, Vice Chairman,
Confederation of Indian Textiles Industry

Invited Guests

Friends in the Media

Ladies and Gentlemen

It is a matter of great pleasure and pride for me to inaugurate the Cotton Corporation of India's Cotton Depot Sales Scheme for Tamil Nadu.

Friends, Cotton is one of the principal cash crops of the country and is the major raw material for the domestic textiles industry. The Indian textiles industry consumes a diverse range of fibres and yarn,

but is predominantly cotton based. The ratio of the use of Cotton to Man-made fibres and filament yarns by the domestic textiles industry is 56 : 44.

Presently, India is the second largest producer of cotton, after China. We produce 307 lakh bales per year, accounting for 16 per cent of global production. India has the largest cotton cultivated area in the world. In 2008 – 09, there were 91 lakh hectares under cotton cultivation. The States of Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Andhra Pradesh, Karnataka and Tamil Nadu account for 99 per cent of the cotton production in the country.

Over the last few years, India has been a net exporter of cotton with the imports being limited to extra long staple cotton only due to short supply in the country.

Tamil Nadu has a vibrant textiles industry with 902 Spinning Mills and 23 Composite Mills. These

mills employ about 2,18,000 workers. Of these mills, 310 Spinning Mills and 13 Composite Mills are located in and around Coimbatore. In addition, there are 976 spinning units in small scale sector in Tamil Nadu. These small scale units provide employment to approximately 38,000 workers. Of these small scale units, 563 spinning units are in Coimbatore. No doubt, Coimbatore is known as '**Manchester of South India**'.

Tamil Nadu has been a major beneficiary of **Technology Upgradation Fund Scheme (TUFS)**. Of the Rs. 67,222 crore subsidy disbursed during the last decade from 1999 to December 2009, under the Scheme by my Ministry, Tamil Nadu got Rs. 18,933 crore, which is 28% of the total subsidy disbursed. **Taking advantage of this scheme, a large number of textile mills in Tamil Nadu have already upgraded their plant and machinery and are in a position to produce quality competitive products for the world.**

Friends, Maharashtra and Gujarat are the major production States and Tamil Nadu is a minor producer of cotton with yearly production of 5 lakh bales i.e. 85 million kg. The consumption of cotton in Tamil Nadu, however, is approximately 1,658 million kg. which mainly comes from Gujarat and Maharashtra for spinning in Tamil Nadu.

The textile units in Tamil Nadu have been requesting the Central Government to make available quality cotton at competitive price in Tamil Nadu. On hearing this demand in an interactive session in Coimbatore on 22nd August, 2009, friends, you will recall that, I had assured that the Cotton Corporation of India Limited would set up Sales Depots in Tamil Nadu in the cotton procurement season of 2009-10, to store bales from cotton producing States like Gujarat and Maharashtra, and sell them to local mills in Tamil Nadu. I, accordingly, asked the Cotton Corporation of India to come out with a scheme to

help the Textile Industry, particularly the Small and Medium Textile Mills.

I congratulate **Cotton Corporation of India** for **taking bold initiative and formulating the Depot Sales Scheme** in a short time. As per the Scheme, cotton will be sold in areas where textiles mills are clustered and will be sold in the States of Tamil Nadu, Punjab and Himachal Pradesh.

The major obstacle, which was hindering the implementation of the Depot Sale Scheme, is the levy of local purchase tax at the rate of 4%, collected by the cotton dispatching States and an additional levy of 4% VAT by the States which are consuming the cotton. These deprived the price competitiveness. Regarding applicability of VAT, the Corporation approached the State Governments of Punjab, Himachal Pradesh and Tamil Nadu for exemption of VAT for sale of cotton bales through Depots

To make the Scheme of Depot Sale viable, Cotton Corporation of India came forward to bear an additional cost of 2% over and above Central Sales Tax.

I am happy to share with you that the **Government of Tamil Nadu, with a view to help the local textiles industry, particularly the small and medium textiles mills, exempted the applicability of 4% VAT on the sale of cotton made at CCI depots.** I thank the Government of Tamil Nadu for **waiving of 4% Value Added Tax (VAT)** on the sale of cotton from these Depots. This is indeed a laudable step which has made the Scheme attractive and viable. We are yet to receive such support from other States, and we are hopeful that in the coming days those States will also come forward with the required exemption.

Friends, **due to initiative on the part of the Tamil Nadu Government, Cotton Corporation of**

India has been able to formulate and launch the Depot Sale Scheme in Tamil Nadu. Under this Scheme, initially two sale depots are being opened at Coimbatore and Rajapalayam. These depots are in vicinity of the clusters of small and medium mills. The mills will be required to pay the sale price of cotton as applicable for 'sale at spot', and will have to pay 2% in lieu of CST and actual transportation and handling expenses, which they would have, even otherwise, paid, had they purchased the cotton from spot. There will be no additional cost to the mills, and mills will get quality cotton at their doorstep.

The mills will substantially **save on the transportation cost** because Cotton Corporation shall be moving the cotton bales in bulk. The mills will **save on interest cost** due to saving in the lead-time. The mills **will also not require to maintain a large inventory of cotton for a longer period** due to availability of cotton nearer to their mills. **The**

estimated saving in cost of cotton for the mills, thus, shall be upto Rs. 2/- per kg. Mills can also take advantage of selecting quality cotton by pre-testing and then placing the orders.

The focus of the Scheme is to cut the raw material cost and ensure their timely availability to mills, both small and large, to make them competitive both in domestic and international market. **To help small mills, whose requirement is not very large, these depots will also sell minimum quantity of 50 bales of cotton. No storage charges shall be required to pay under the scheme.** I assure you, that we will be closely monitoring the progress of the Scheme and, if it is successful, we will establish additional depots in Tamil Nadu.

I sincerely hope this initiative of the Cotton Corporation of India and support extended by Government of Tamil Nadu will greatly benefit the

small and medium textile mills. I expect them to produce goods at much better competitive prices.

Thank you.
