



# ***The Cotton / Textile Scenario in India – Post MFA***

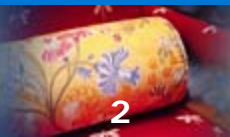
*by David B. Collins  
Assistant Executive Director  
Cotton Council International*

*January 31, 2008*





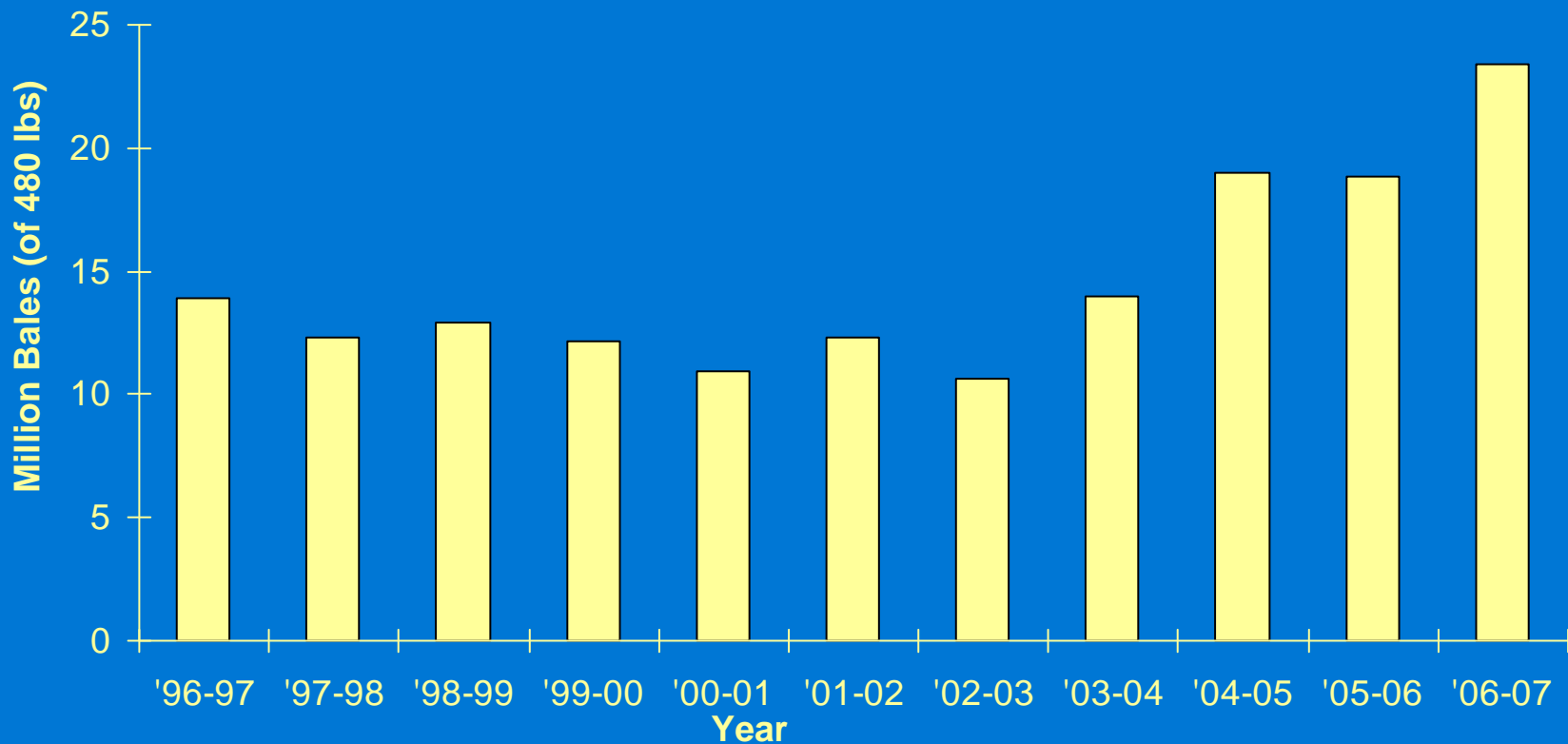
- Cotton Production & Mill Consumption
- The New Indian Consumer
- Driving the New Consumer Toward Cotton
- MFA and the Consumer - Revisited



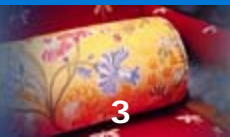


# Cotton Production

- Indian cotton production = unprecedented growth
- More than double in five years since 2002-03



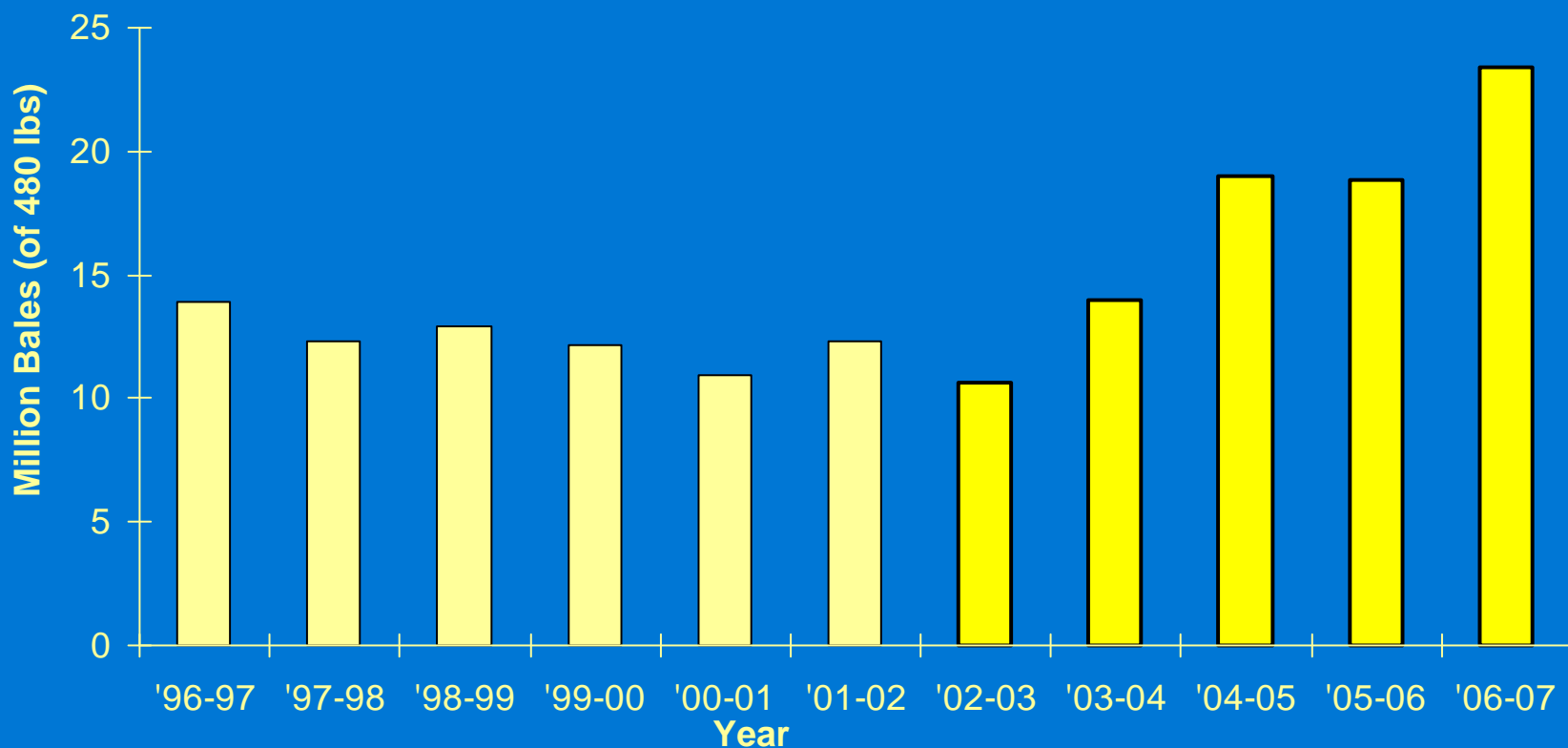
Figures in million bales of 480 lbs  
Source: Office of the Textile Commissioner





# Cotton Production

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Figures in million bales of 480 lbs  
Source: Office of the Textile Commissioner





## Cotton Production

- Cotton production in India in 2007 was 23.4 mn bales up from 12.4 mn in 2002 ... an increase of 90%. India is now the world's second largest producer of cotton.
- The average cotton yield reached 450 lbs/acre in 2007 as compared to 275 lbs/acre in 2002.
- Approval / adoption of Bt seeds, better management practices, addition of irrigation. Largely driven by GOI investment.
- Much of the new investment made in anticipation of and with great expectations for the phase-out of the MFA. Government and Industry sensing opportunity.





# Cotton Production

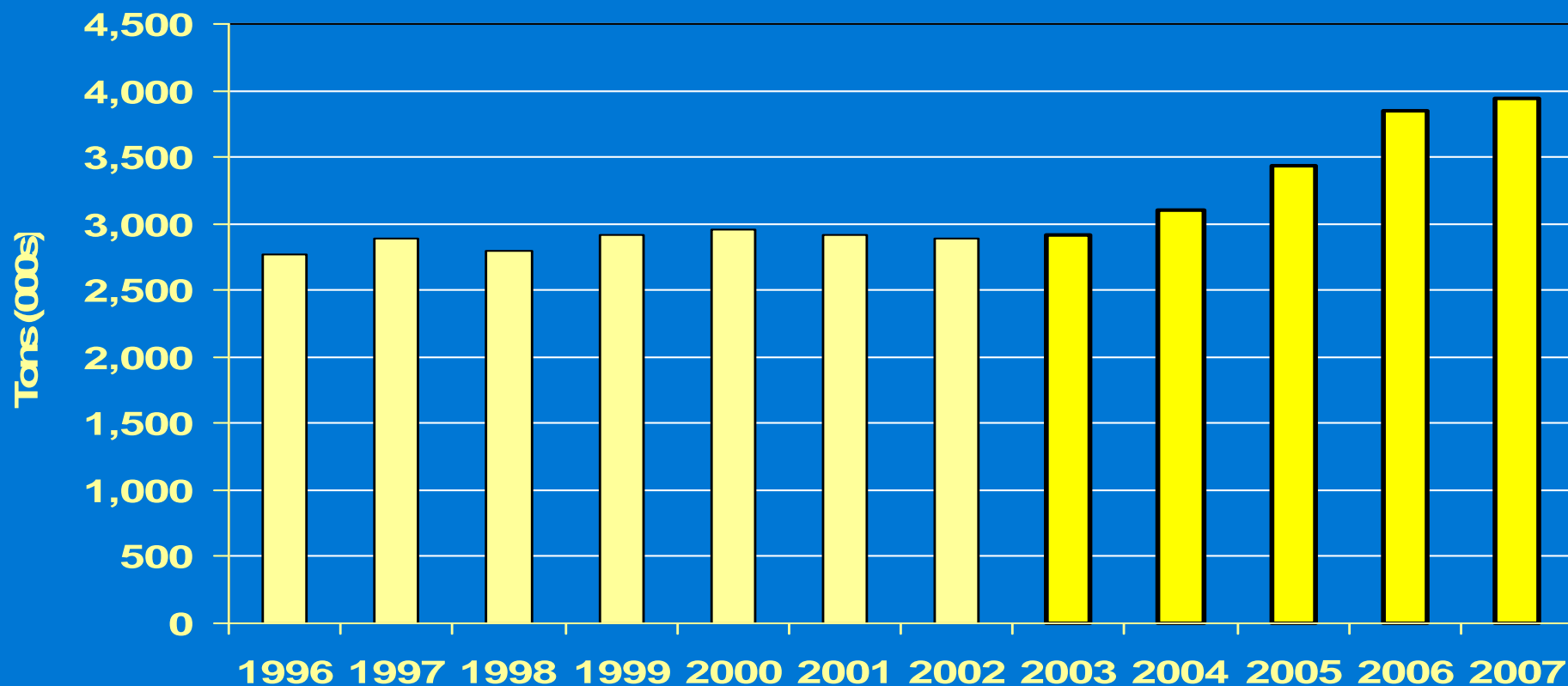
- During quota regime exports were restricted suppressing domestic cotton prices ... a disincentive to commit to investment in increased productivity.
- Removal of quotas strengthened links between domestic and world prices of cotton, boosting profitability of the grower and mitigating price risk.
- GOI also adopted a strategy for post-quota period to un-restrict cotton production and increase productivity by encouraging genetically improved seeds, and bringing Technology Mission on Cotton apart from other indirect measures.





## Mill Consumption

- Since the end of the MFA, Indian mill consumption of cotton has increased by approximately 800,000 tons.



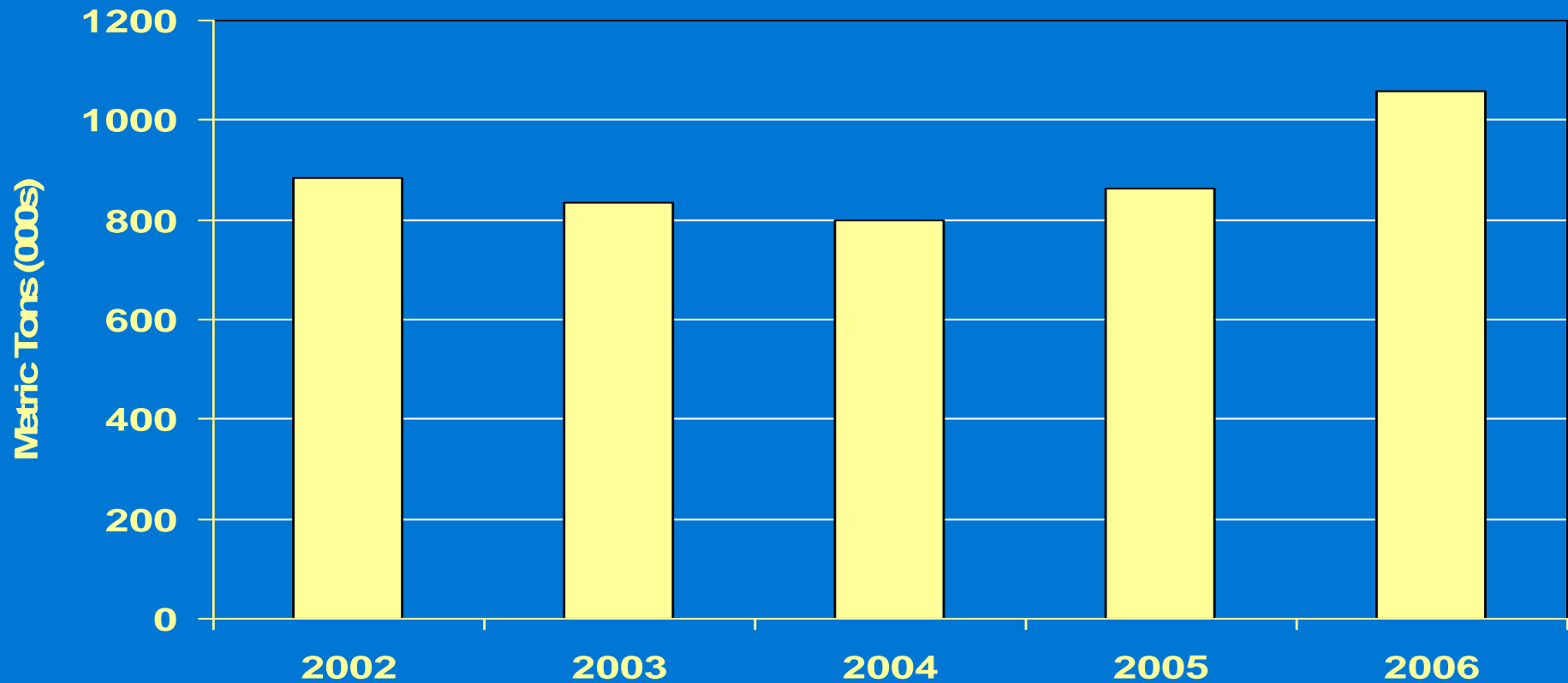
Source: PCI Fibres 2007 World Synthetic Fibres Supply/Demand Report





## Exports of Cotton Textiles

- Exports of cotton textiles has increased by more than 300,000 metric tons since the end of MFA.



Source: GTIS, Global Trade Atlas

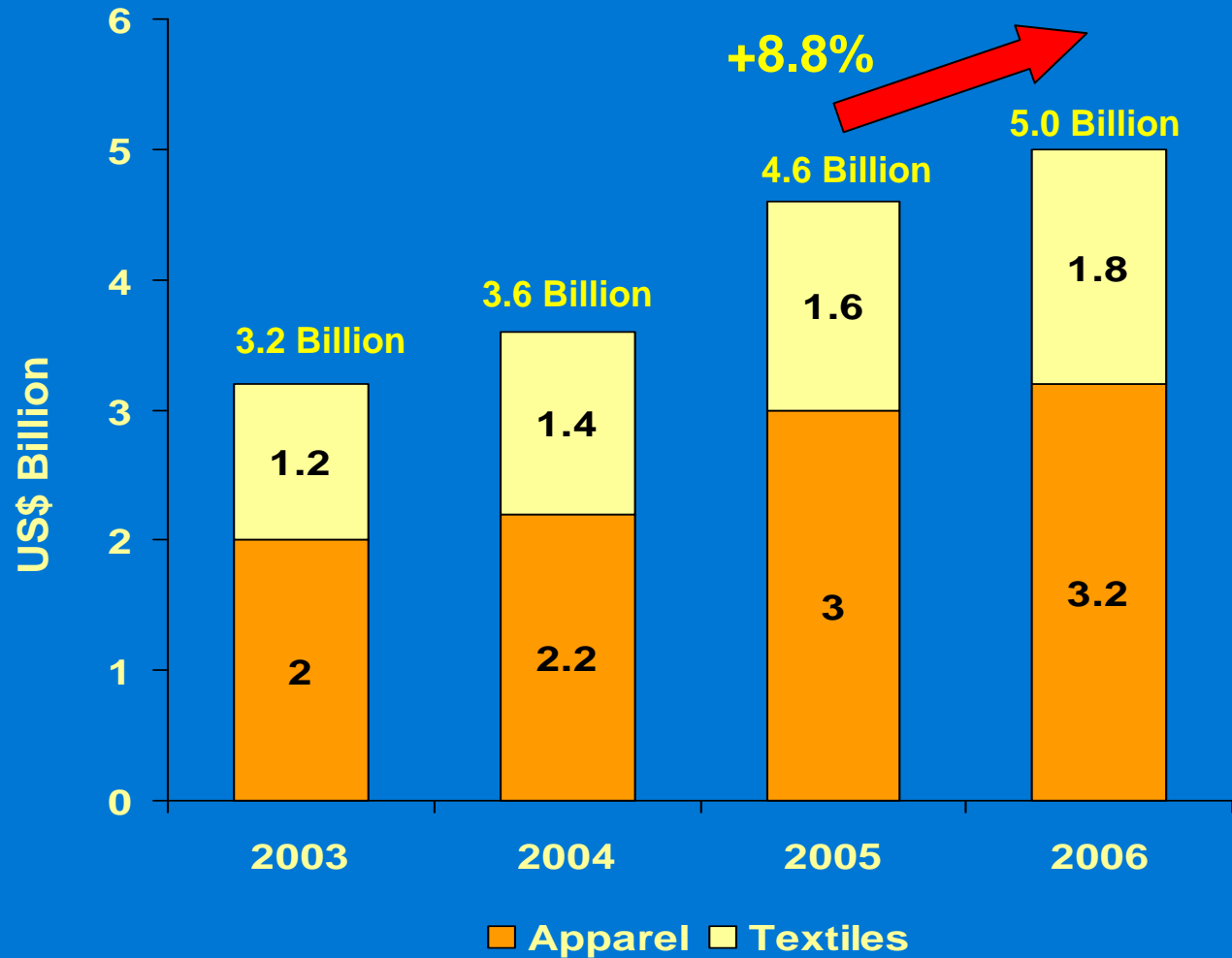






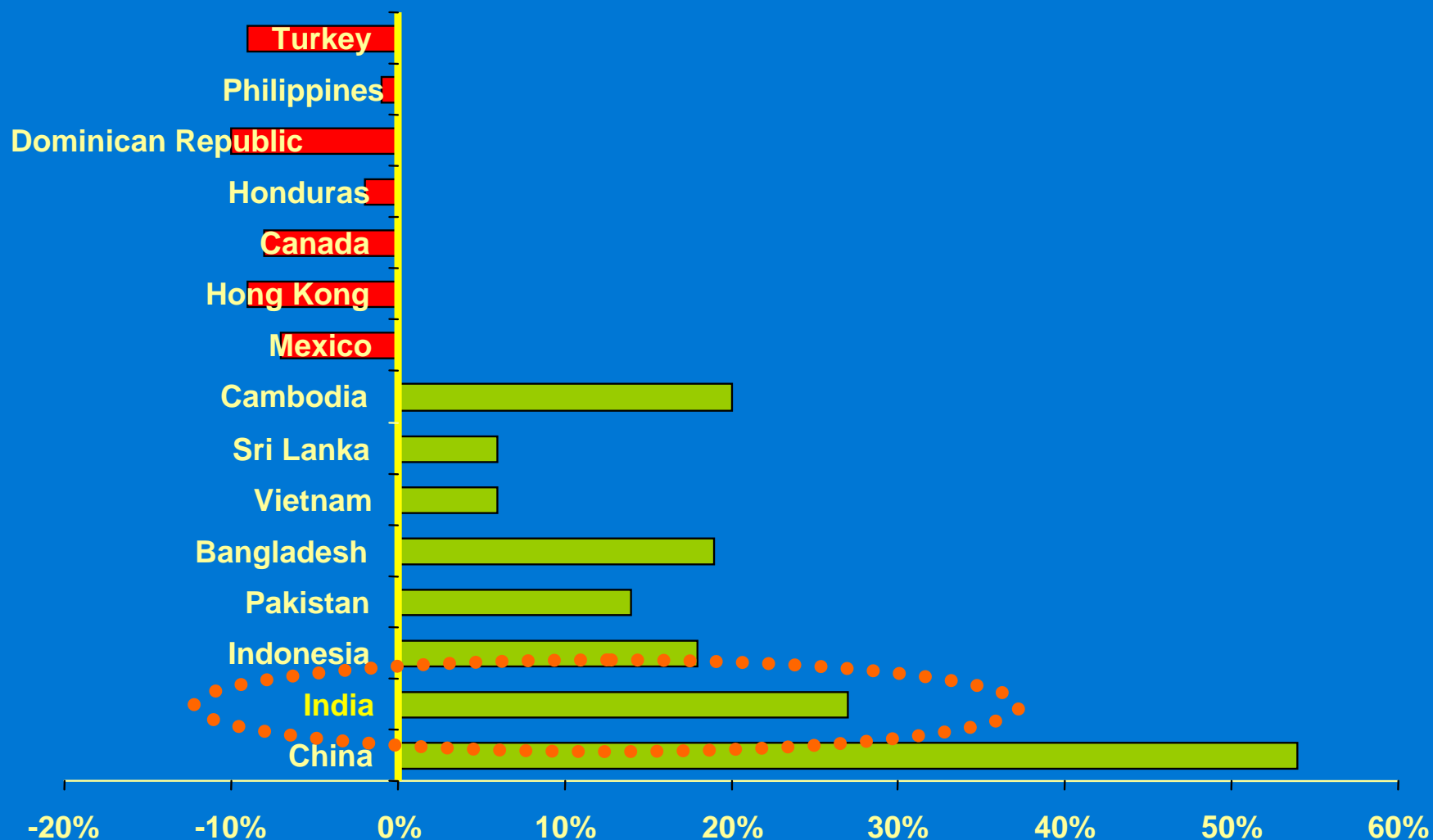
# Post Quota Exports have increased to major markets

## India Textile and Apparel Exports to US





# Post Quota India is the second largest gainer in US...



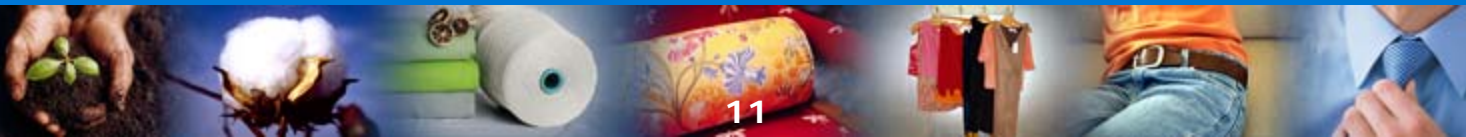
Source: Technopak Analysis





## The MFA Effect – mill consumption

- With the end of the MFA, trade from preferential blocks (NAFTA, AGOA etc) has shifted to resource-based-advantage blocks (India, China etc)
- This shift means more consumption of cotton in India for export products as well as to meet growing Indian consumer demand.
- Quotas were also more restrictive of trade in cotton-based clothing, the category in which India has had long-standing comparative advantage.
- India's cotton-based clothing exports have generally been 60%+ in the total clothing exports basket, enhancing opportunities for Indian Industry.

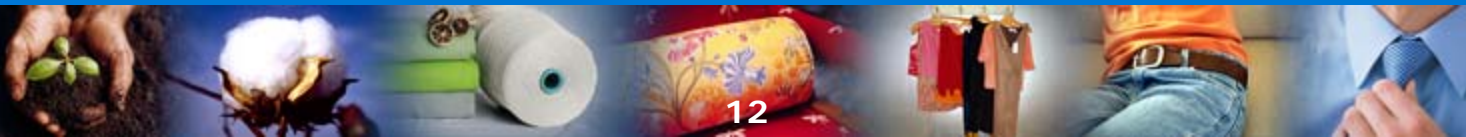




## The MFA Effect – mill consumption & cotton production

**Based on these few observations it is fair to conclude the phase-out of the MFA has ...**

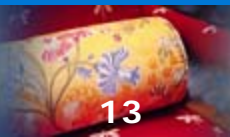
- ... positively impacted cotton production in India in a more indirect fashion by encouraging government involvement and helping to nurture a climate of more open policies regarding cotton production.
- ... more directly impacted consumption of cotton at the textile mills by opening new markets for export products.





## Indian Scenario

- Cotton Production & Mill Consumption
- **The New Indian Consumer**
- Driving the New Consumer Toward Cotton
- MFA and the Consumer - Revisited





# Indian Consumer - Changing Faces

yesterday

today

the person



the time

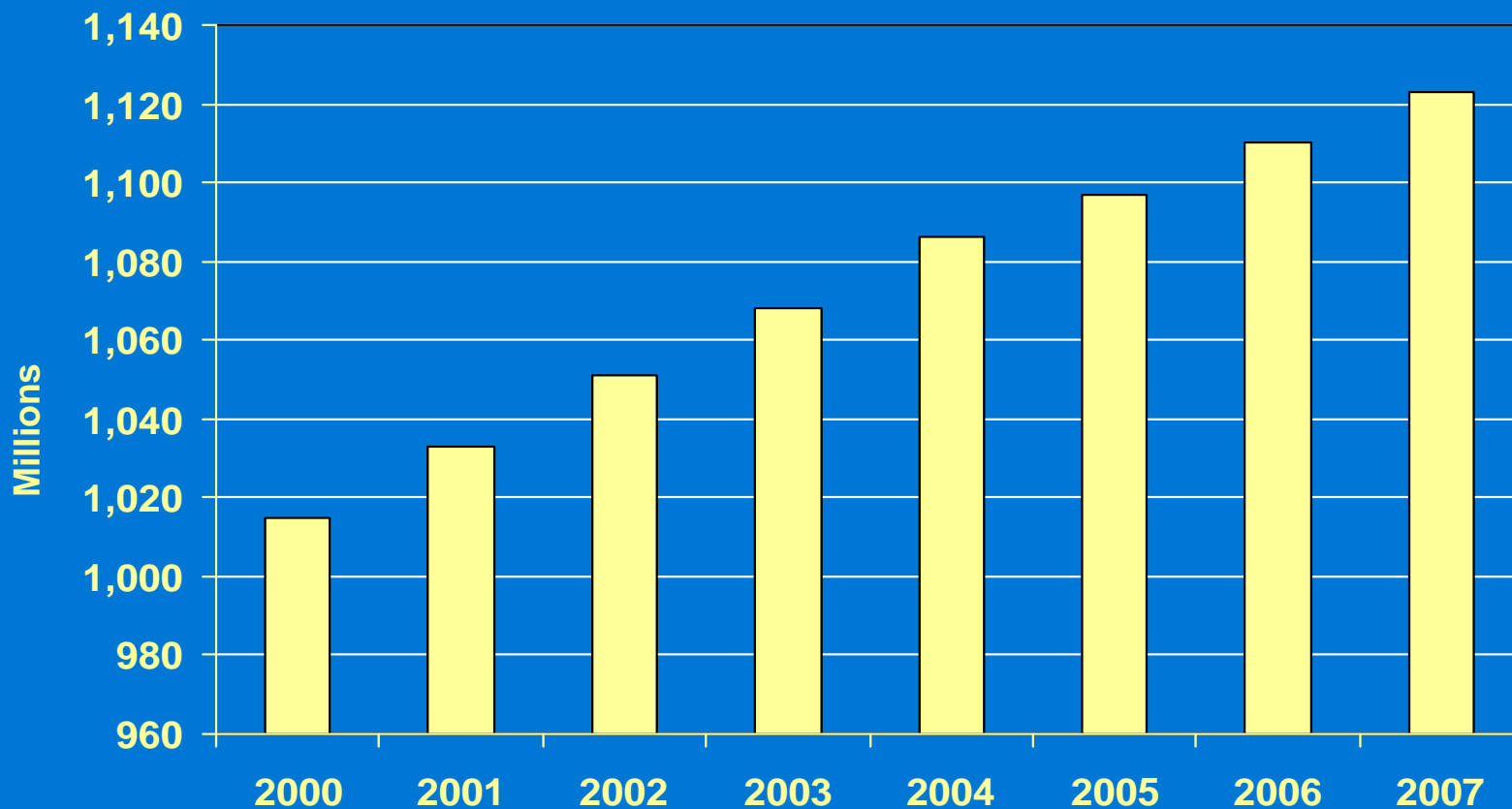


the product



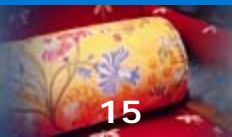


# India's Ever Growing Population – Growing Base of Consumers



***India is home to 20% of the World's Population-  
a very large base is still growing***

Source: Central Statistical Organization



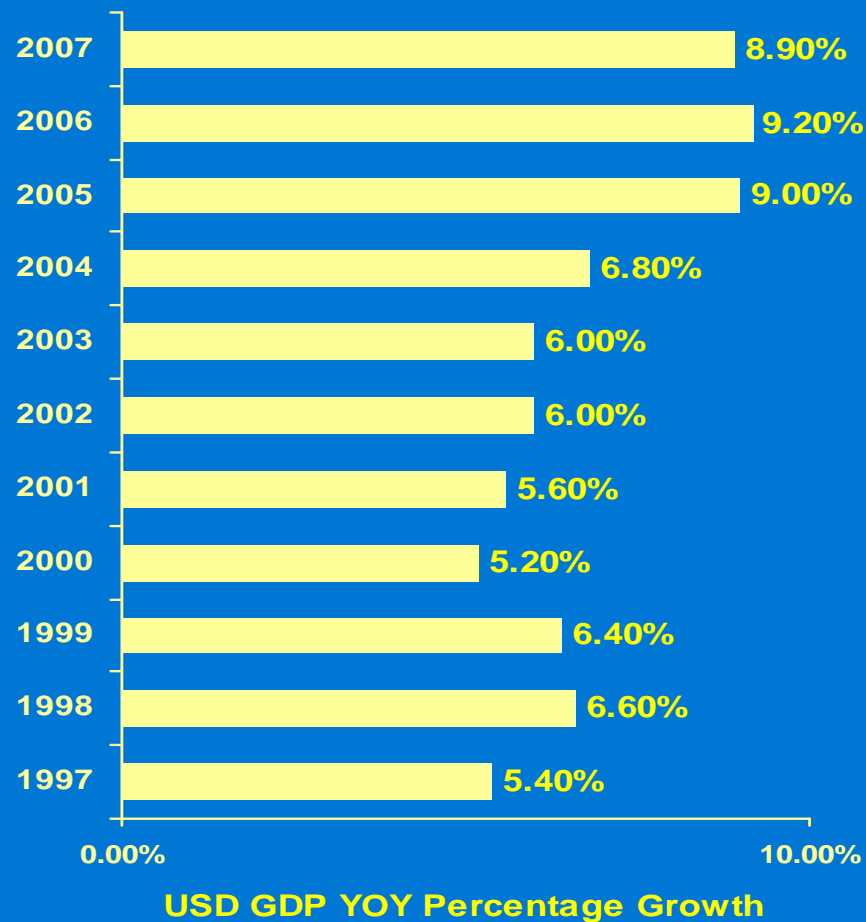




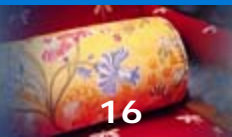
## A Growing Economy...

- Economy size: US\$ 935 billion
- World's 2nd fastest growing economy
- GDP growth rate = 8.9% in 2007
- 2008 Growth projections = 8-10%
- Rated among the most favored investment destinations (UNCTAD, JETRO, JBIC, Deutsche Bank, EIU, etc.)

### GDP Growth India



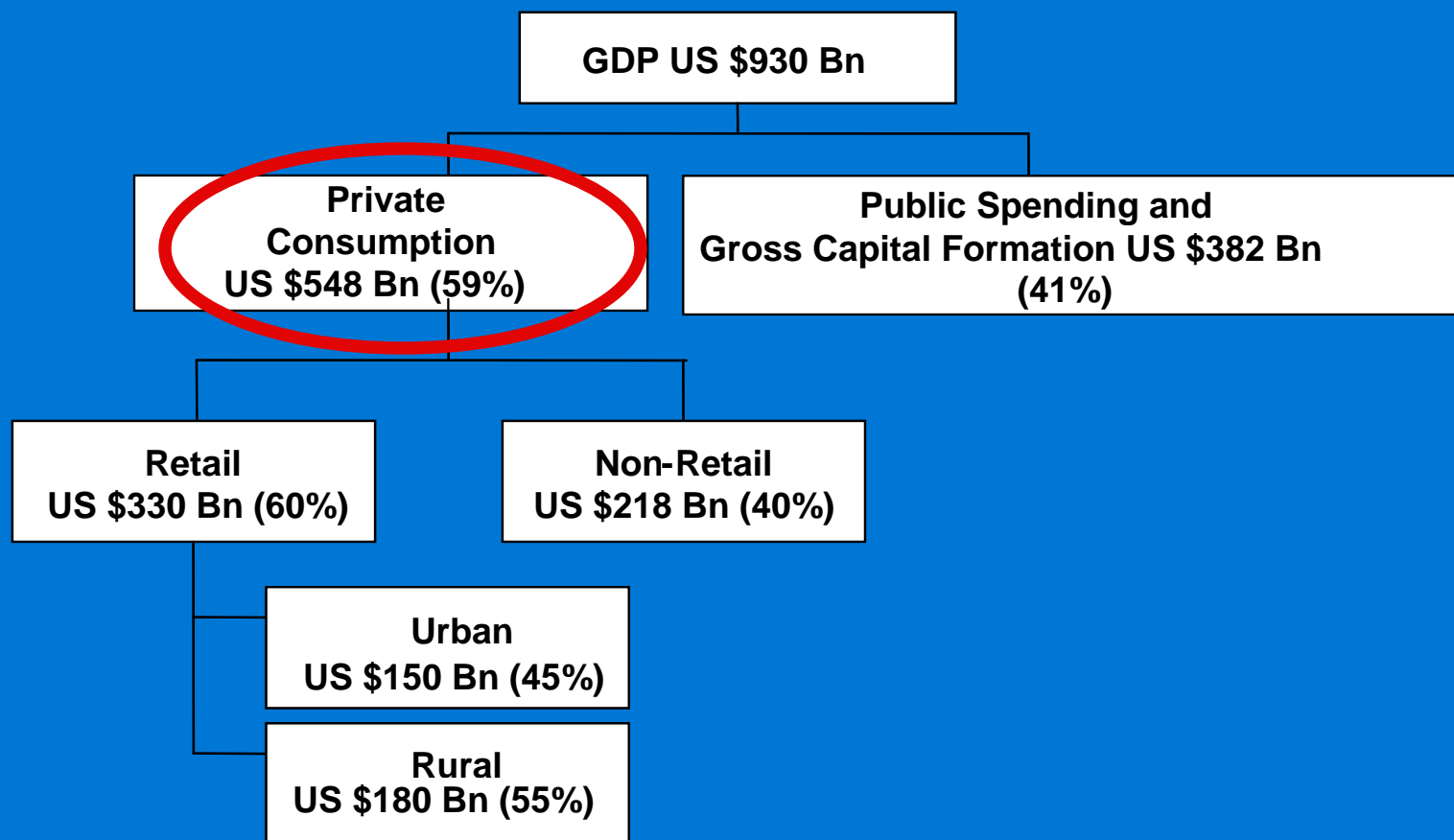
Source – Reserve Bank of India







## ...With High Private Consumption



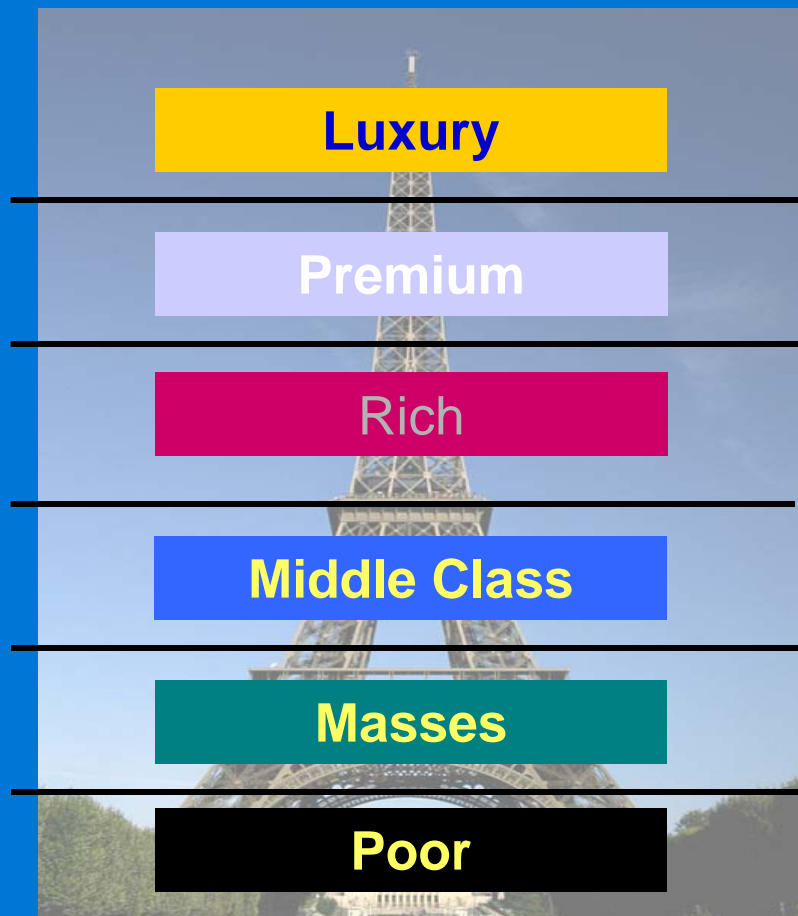
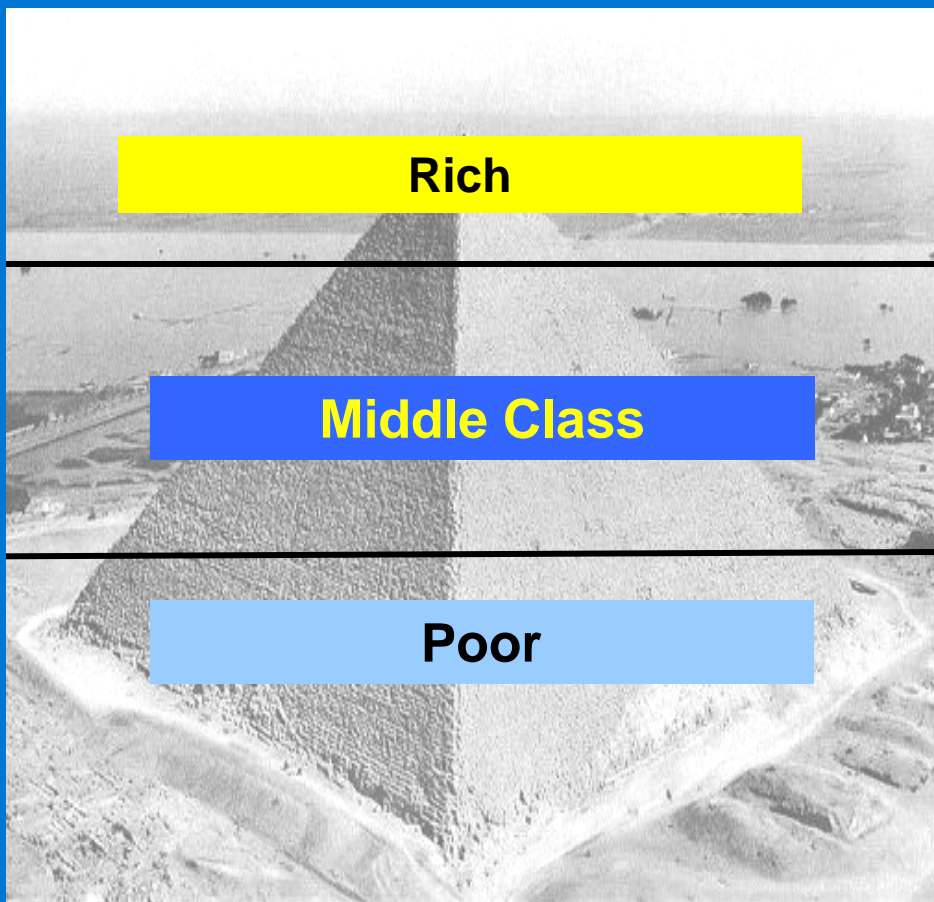
Source : Central Statistical Organization (CSO), IRF data and Technopak Analysis  
Year: 2007





# Explosive Growth in Middle Class- Evolving Segmentation

- Unprecedented shifts creating new & distinct consumer segments.
- A shift from “Pyramid” to “Eiffel Tower.”

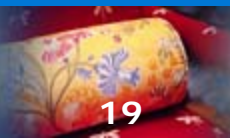




# Explosive Growth in Middle Class- Adding a Million a Month

- **70 million consumers** to become **middle class** in next 60 months
  - ❖ More than “a million” new middle class consumers every month
- People between **20–49 years of age** are projected to **increase** from 450 million in 2005 to 510 million in 2010
  - ❖ Again “a million” a month
- Additional **65 million middle class consumers in urban India** by 2010
  - ❖ Another “a million” every month

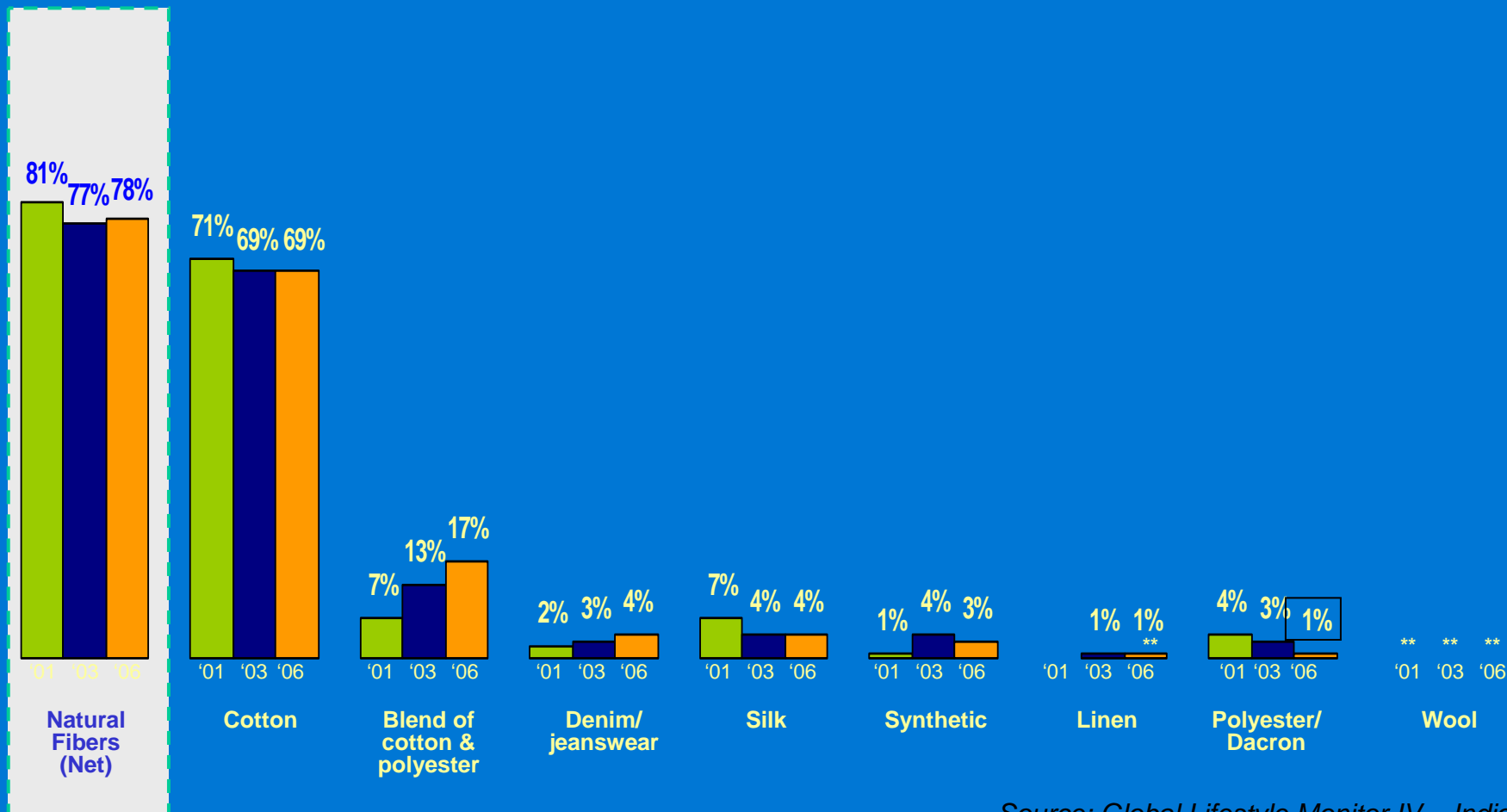
10<sup>6</sup>





# Opinion for Fiber Best Suited for Today's Fashions

➤ Indian's prefer natural fibers - particularly 100% cotton.

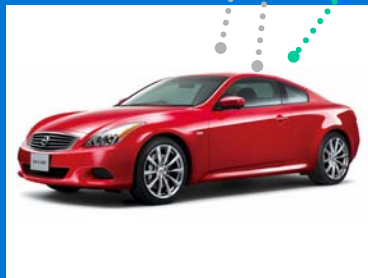


Source: Global Lifestyle Monitor IV – India Report





# Indian Consumer - Changing Needs



DEBENHAMS

RbK

GUCCI

Levi's  
LEVI STRAUSS & CO.







# Crossroads: India's First Shopping Mall



**Crossroads opened  
mid-1990's**

**Over 600 malls  
under construction  
or “on the books”**



# Retailing in India Today



Massive influx of international brands and Joint Ventures







# The New Indian Consumer

Young,  
Wealthy India



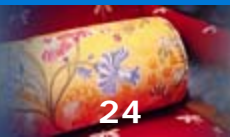
Ability to Buy



Growing  
Aspirations



Dynamic  
Retail

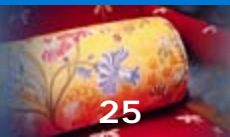






## Indian Scenario

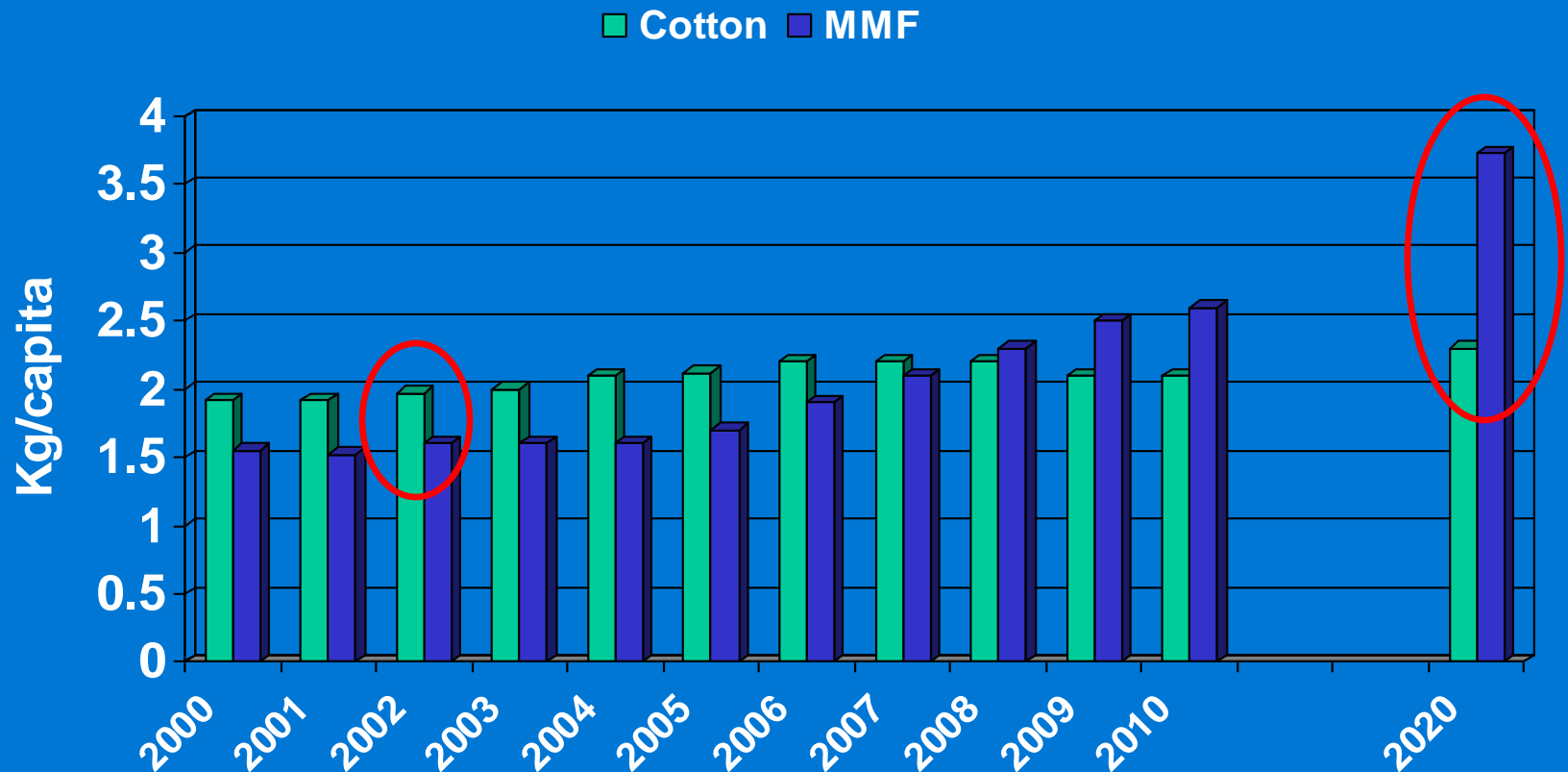
- Cotton Production & Mill Consumption
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# Cotton losing market share to MMF

## Final Consumer Demand, India



Source: PCI Fibres & Raw Materials Supply/Demand Report 2005





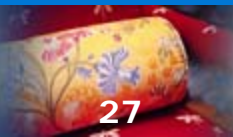
## CCI Contribution – Last 5 Years

### CGA: 2002-04

- Started CGA. Encouraged retailers, manufacturers and spinners to produce more cotton by making them licensees
- Developed “The New Face of Cotton” campaign to give boost to cotton sales
- Developed & implemented advertising, media, PR, and direct marketing plans

### GCE: 2005-07

- Started ‘Generic Cotton Education Program’
- Focus shifted to consumer awareness
- Advertising, promotions, media workshops – some of the vehicles used





Go cotton go paris

Look for the Seed of Cotton. And you'll see Paris.

Meet Tata Young  
The Sexy, Naughty, Bitchy girl  
of Planet B, High School Powers.

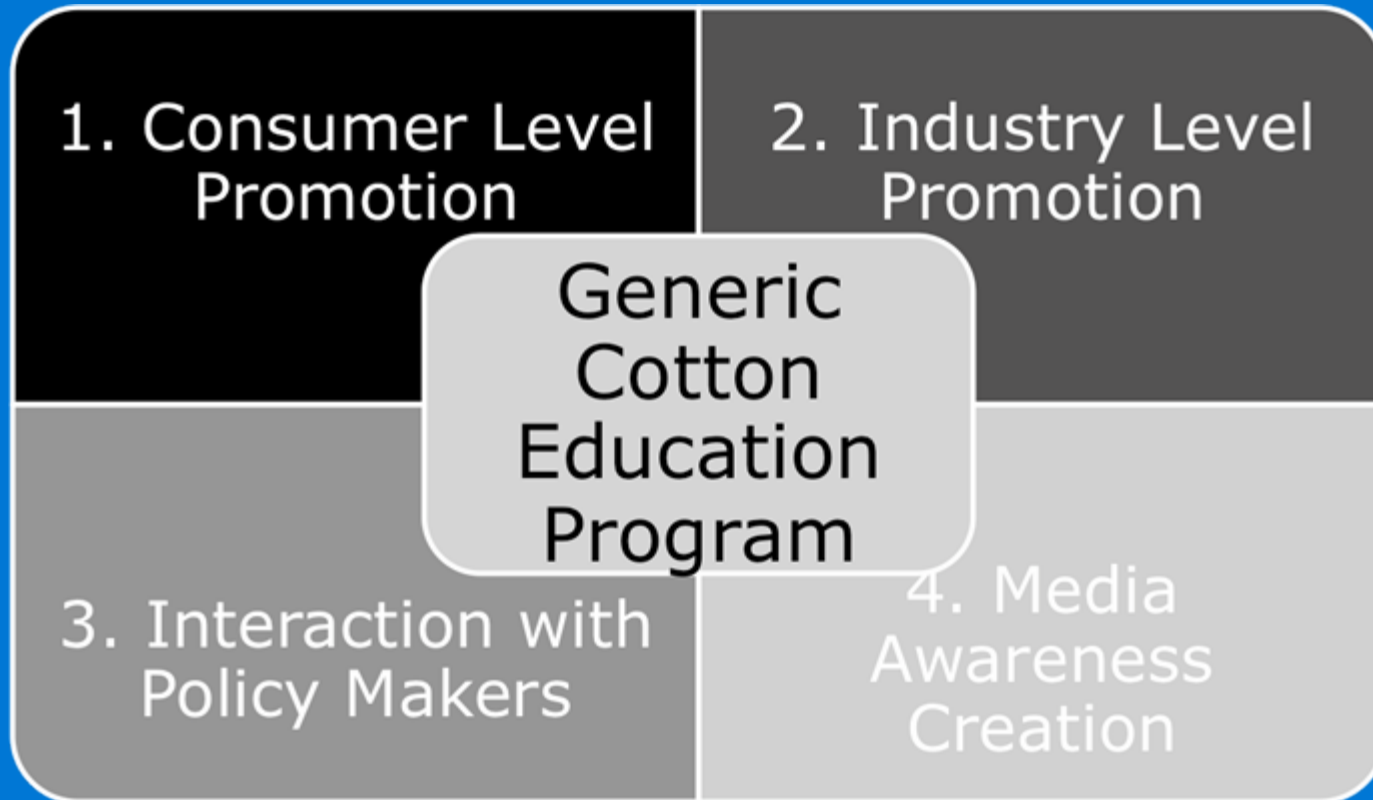
SEX, NAUGHTY BITCHY  
THE GIRL COMES TO PLANET B

Film Releaser Worldwide This June  
CDA & Co. International Pvt. Ltd. & other movie stores.



## Going Forward

- **Campaign** – ‘Cool With Cotton’.
- **Objective** – Cotton is Cool and a fabric of all seasons
- **Target** – Age 15-54 SEC A, B, C







# 'Cool with Cotton' in Pictures





# Media Workshop – in progress







# NIFT Event – on stage





# 'Cool with Cotton' in Media

**'There's no reason why cotton cannot be glamorous'**

**Q** What is the real of cotton? The real of cotton is given to products made out of 100 per cent cotton. The fibre is totally cotton without any chemical and very environment friendly. What are the benefits of 100 per cent cotton over other blends? 100 per cent cotton is far more comfortable and durable than other blends. Since it breathes, it's great for the skin as it regulates heat in the body. Wearing cotton also ensures that skin rashes caused by moisture are kept at bay. Constant research in this fabric has resulted in many improvements. For example, high-quality cotton doesn't lose lustre despite frequent washes and is wrinkle resistant. In the US, consumers are increasingly taking to cotton shirts and jackets. Why are you promoting cotton in India? Over the years, the yield of Indian cotton has improved. Though India exports cotton, the local market needs to be strengthened. This may be achieved by strengthening the local market needs to be strengthened. 'Though India exports cotton, the local market needs to be strengthened'.

**DAVID B. COLLINS**  
Assistant Executive Director, Regional Director, South Asia, Cotton Council International.  
On the potential of 100% cotton

**Comment:** Cotton is available in myriad textures, and designers, especially in India, are realising the scope of the fibre. With contained innovations such as stretch cotton available, there is no reason why cotton can't be glamorous.

**APARNA GUPTA**

**Summer? It's gotta be cotton!**

In the hot summer months, comfortable, colourful cottonwear is a lot not just with the cotton crowd — it rules the ramp too.

**W**hat is the summer season? It's the time when the sun is shining and the weather is hot. It's the time when you want to wear something that is comfortable and stylish. Cotton is the perfect choice for summer. It is soft, breathable, and comes in a variety of colors and patterns. Cotton is also easy to care for and is a great choice for people who are allergic to synthetic fabrics.

**Comment:** Cotton is available in myriad textures, and designers, especially in India, are realising the scope of the fibre. With contained innovations such as stretch cotton available, there is no reason why cotton can't be glamorous.

**APARNA GUPTA**

**BE COOL AND FEEL COOL!**

**It's chic, it's cool, it's cotton**

## CCI to push cotton usage

**Bangalore:** Garment exporters may be hit by the strengthening of the rupee, but the solution lies within, says Cotton Council International (CCI) representative for India, Pakistan and Sri Lanka, Ashish Dhir.

"The rupee has risen erratically. Indian factories record only 35% efficiency among workforce as against Sri Lanka's 65%. This is one area that Indians could do well to improve upon," he said.

Despite having the largest area under cotton cultivation, India produces less cotton than China and USA and contributes only 10% to the global trade of \$12 billion. "The current yield at 502 kg per hectare is double the quantity produce three years ago. We still need more technology," poses a huge challenge to the cotton sector, Dhir said.

Currently, cotton market share is 30% for the domestic consumer, posing a huge challenge to the cotton sector, Dhir said.

**KEEPING COOL:** Despite having the largest area under cotton cultivation India produces less cotton than China and USA

up to 60% in the next five years," Dhir told *The Times of India*.

CCI is aggressively pitching cotton with all its advantages as a natural fibre to the Indian consumer and is starting from the top — with a series of fashion shows in five cities. "Often high fashion concentrates more on silk and synthetic fabrics. By putting cotton in this category, we hope to get the message across that cotton too can be fashionable and innovative," Dhir said.

Next on cards are cotton carnivals across metros and tier two cities, where promotions and awareness campaigns will be conducted in malls and other retail space.

Unlike Lycra and silk, CCI does not want to hallmark cotton clothes. "But we would definitely like to put the cotton tag on clothes so that it creates awareness about the fabric. Although cotton garment are basic in every Indian wardrobe, it's necessary to have constant reiteration. There has only been a 1% growth in preference to cotton and that must change."

Dhir cites international studies that show that most consumers gave greater preference to fabric over the brand. "It's this preference that we must leverage to promote cotton sales in India."

**Enter the cotton world**

**Style Quotient**  
Curls & swirls are back

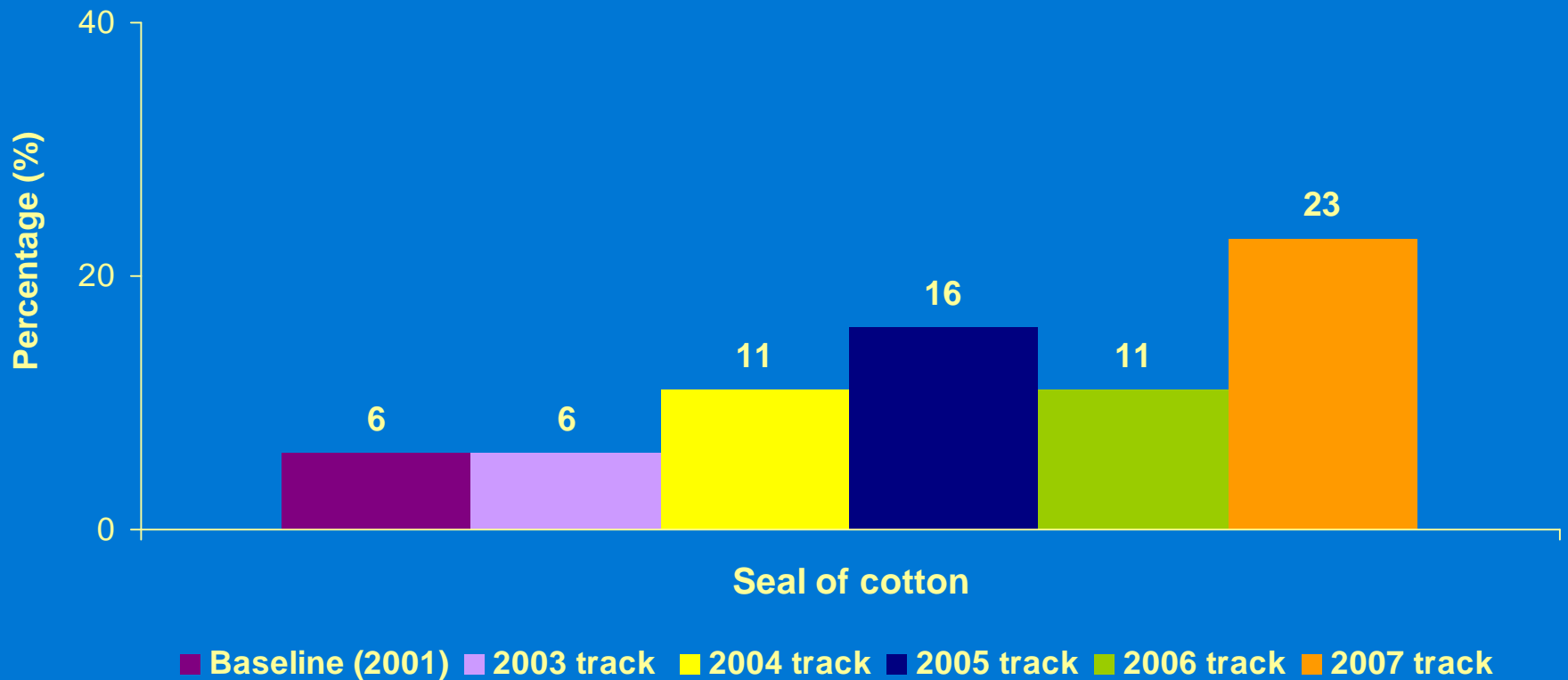
**OBERON DELIGHTS**  
Warm mushrooms, grapefruit & mint salad





## Campaign Resulted in Awareness of Seal of Cotton

- Increase in cotton consumption among consumers – campaign has contributed
- Awareness of all the Seal of Cotton has quadrupled since the program began
- There has been a growth of more than 100% in 2007 compared to 2006



Base: All Random 2001 : 1250, 2003 : 1277, 2004 : 1257, 2005 : 1200. 2006 : 1230, 2007 : 1209



# Preference for 100% cotton products

Indian Men & Women, SEC A,B,C

Difference in the percentage of consumers who give a “high” rating to 100% cotton products vs. those who give a “high” rating to synthetic products

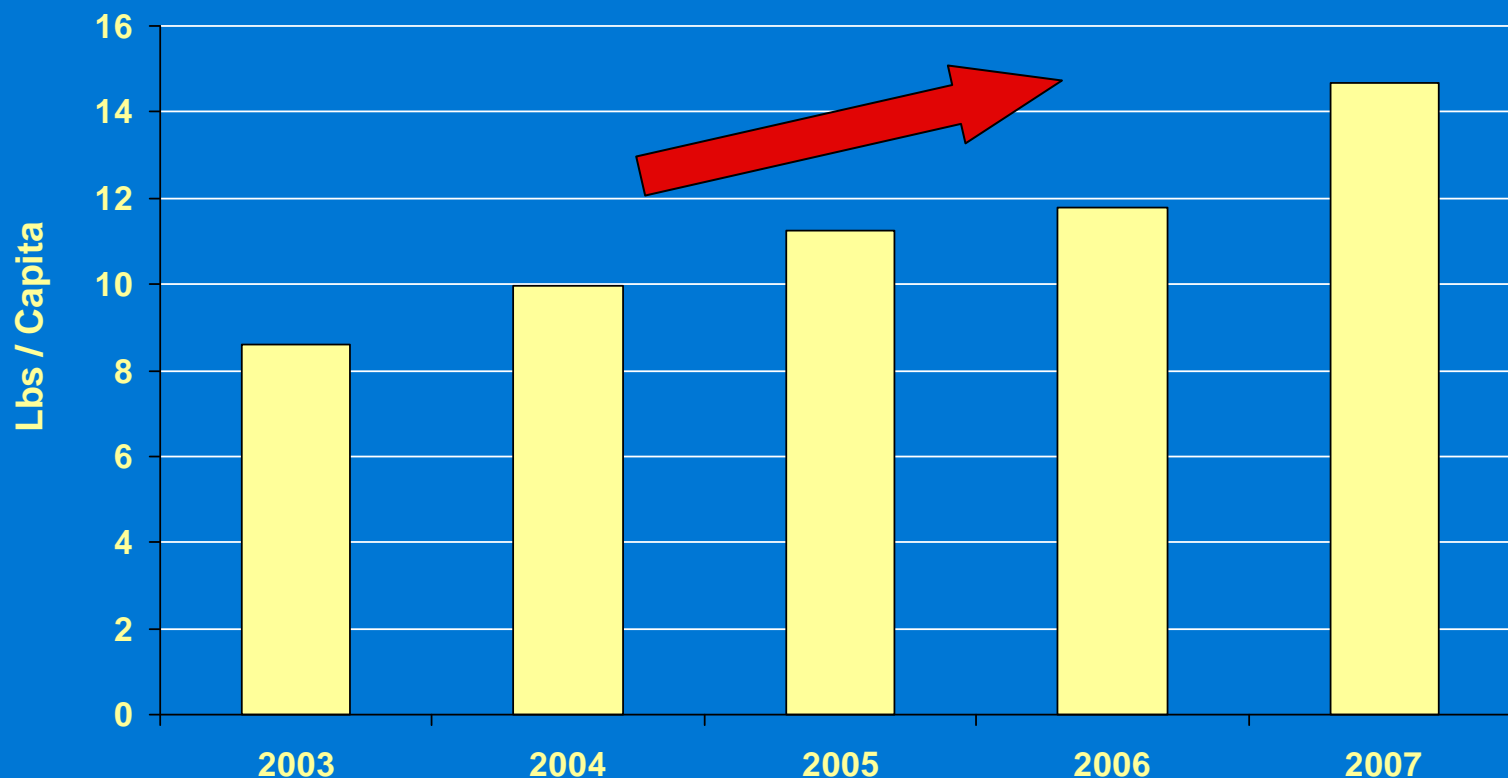






## Cotton Consumption – at consumer level

- Among “SEC A”, consumption of cotton has increased from 8.5 lbs of cotton per year in 2003 to 14.7 lbs in 2007.



(Figures in lbs)

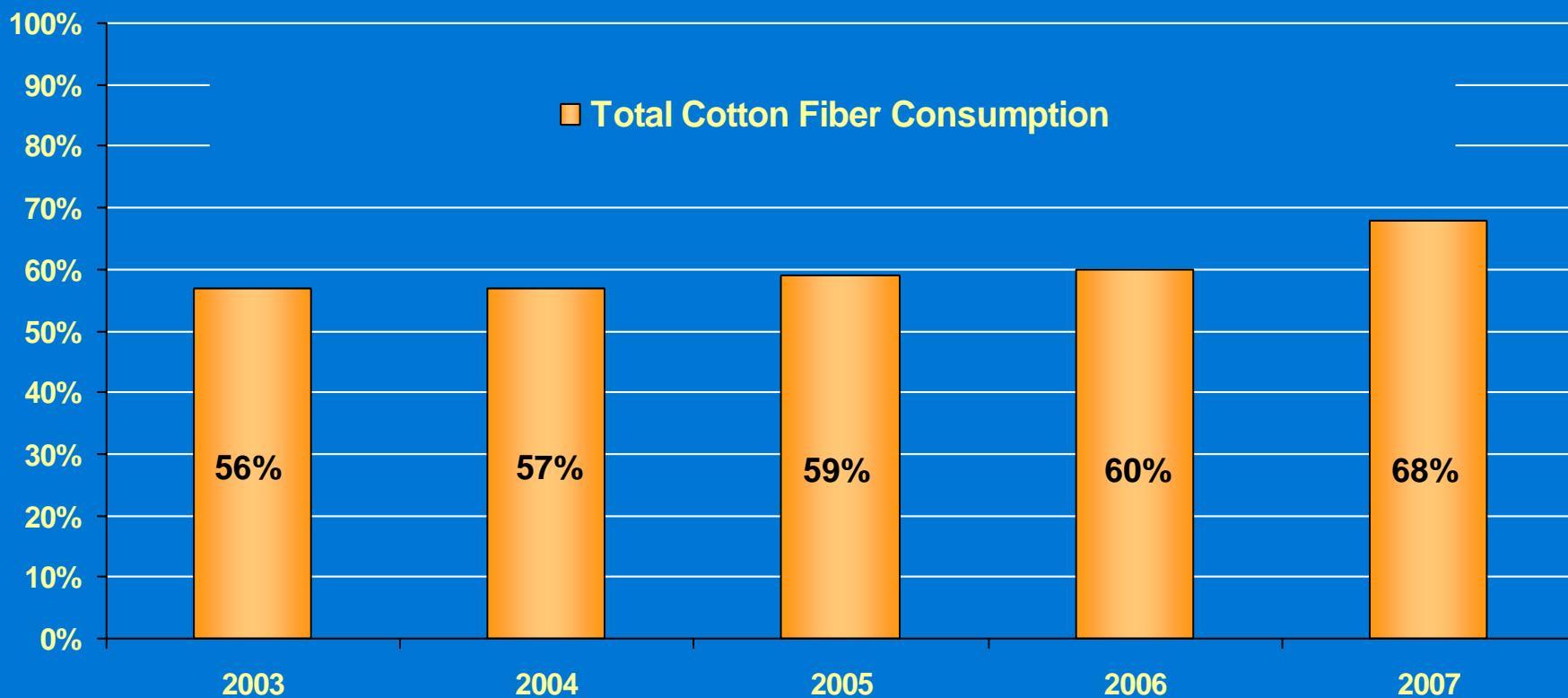
Source: Consumer Index of Cotton Consumption, Technopak, June 2007





## Cotton Consumption – at consumer level

- Cotton's share of total fiber consumption is up.
- An 8% increase observed in 2007 among SEC A, B, C.

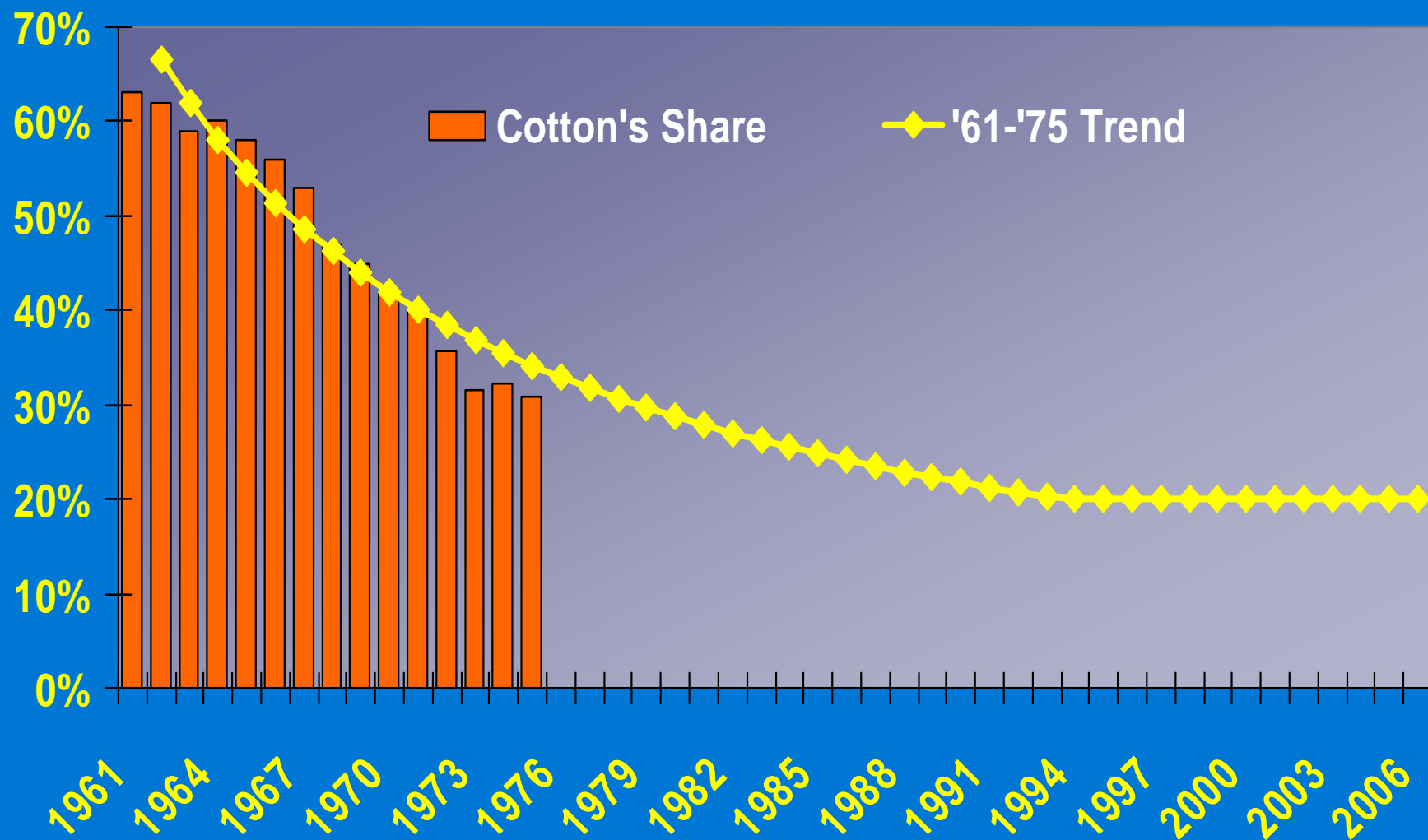


Source: Consumer Index of Cotton Consumption, Technopak, June 2006





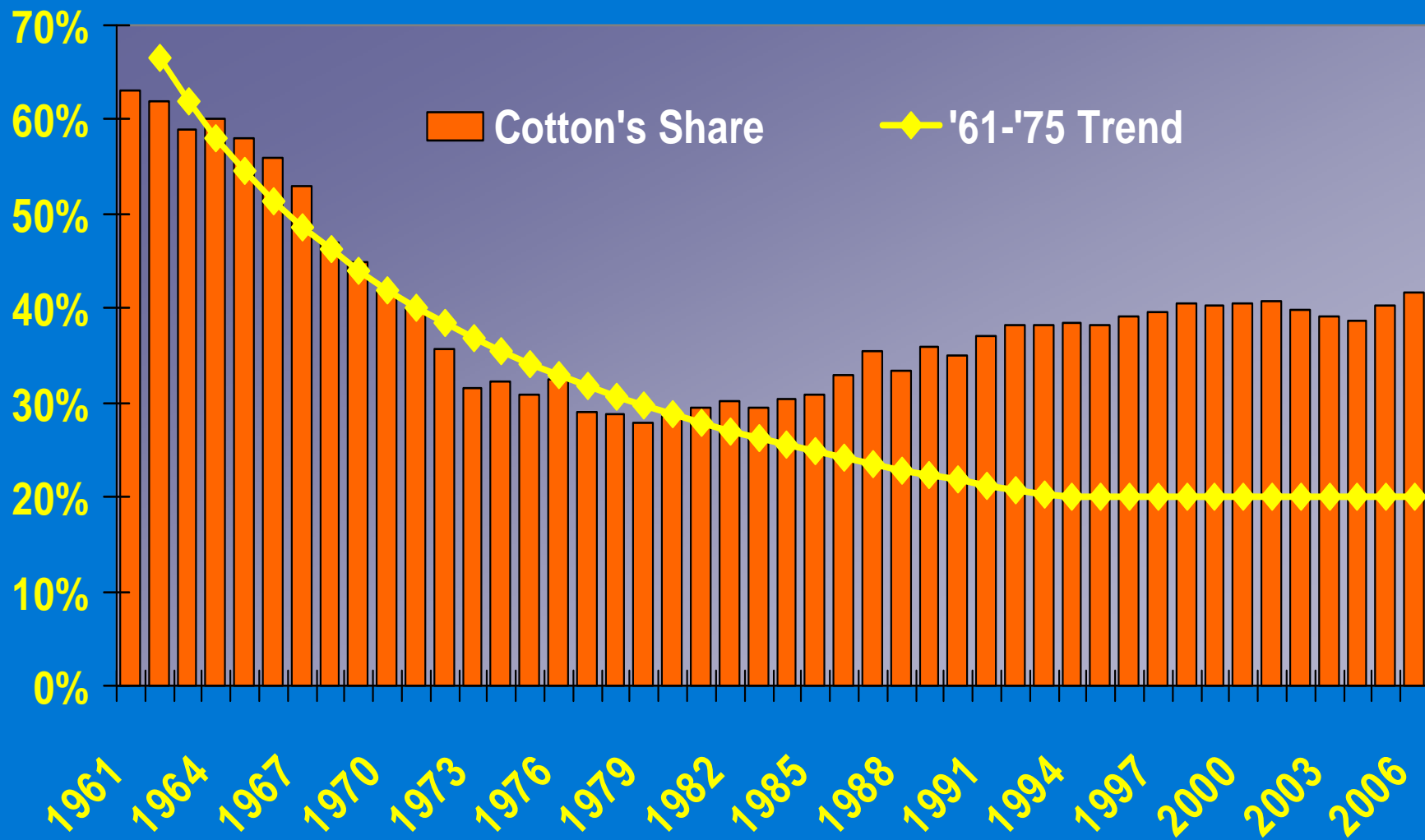
# Cotton Share of U.S. Net - Apparent Fiber Usage



Source: Fiber Organon



# Cotton Share of U.S. Net - Apparent Fiber Usage



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# Summary

- India's growing economy is resulting in explosive growth in middle class with new segmentation in the middle class evolving.
- With this growth the Indian consumer's buying power has increased and consumer is ready to pay a premium for the product with good better fiber ... particularly cotton.
- Indian consumer has evolved and changed focus to become more 'global'.
- MFA and phasing out of quotas has given more impetus to cotton consumption in India ... both domestic market and for exports.

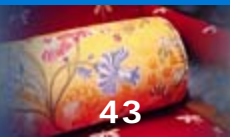
**Bottom Line:** India has a large, growing, increasingly wealthy population much more 'international' than the past who prefer cotton textiles and apparel –

**A Scenario for Ever Increasing Cotton Consumption!**



## Summary

- While the end of the MFA has had both direct and indirect impacts on the production and consumption of cotton in India ...
- ... the greater driver of cotton off-take is tied to the development of the new consumer class in India ...
- .... And the story in the future will be written by the behavior of this key group of consumers and the choices they make with their pocketbooks



***Thank You***

