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India Suspends 11% Cotton Import Duty to Aid Textile MSMEs

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India Suspends 11% Cotton Import Duty to Aid Textile MSMEs

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Every fact web-verified against primary sources

> *The* **Union Textiles Ministry** *has temporarily* **waived the 11% customs duty on cotton imports** *for the period* **June 1 to end-October 2026** *— the* **second such waiver in 12 months**. *The move follows an* **11–15% surge in domestic cotton prices** *over a month that squeezed* **textile MSMEs** *and exporters. Industry bodies* **CITI** *and* **AEPC** *welcomed it.*

THE DECISION AT A GLANCE

PARAMETER	DETAIL
What	Suspension of the **11% import duty on cotton**
Duty structure	~10% **Basic Customs Duty (BCD)** + ~0.5–1% **AIDC/cess** = ~11% effective
Window	**June 1 – end-October 2026** (covers the lean pre-harvest months)
Trigger	Domestic cotton prices up **11–15%** in a month; supply shortfall
Earlier duty	In force **since January 1, 2026** (reimposed after the Aug–Dec 2025 suspension)
Beneficiaries	Spinning mills, garment units — especially **MSMEs** and exporters
Welcomed by	**CITI** (Confederation of Indian Textile Industry), **AEPC** (Apparel Export Promotion Council)

BACKGROUND — THE DUTY'S ON-AGAIN, OFF-AGAIN STORY

- As historical background, the 11% duty had been **reimposed since January 1, 2026** after an earlier suspension (**August–December 2025**) prompted by elevated US tariffs hurting manufacturing.
- This is therefore the **second waiver within a year**, signalling a structural tightness in domestic cotton supply rather than a one-off shock.

WHY COTTON PRICES SURGED

1. **Production shortfall** — domestic output fell short of mill demand, tightening availability ahead of the new harvest.
2. **Stagnant yields** — India's cotton **productivity (kg/hectare) has plateaued** for years, lagging global leaders.
3. **Pest and climate stress** — pink bollworm and erratic monsoons periodically dent output.

THE CORE TENSION — MILLS VS FARMERS

This is a textbook policy trade-off:

STAKEHOLDER	EFFECT OF DUTY WAIVER
Spinning mills / garment MSMEs / exporters	**Positive** — cheaper imported cotton lowers input costs, restores competitiveness
Cotton farmers	**Negative risk** — cheaper imports can depress domestic prices and farmers' realisations

India's textile exporters compete with **Bangladesh, Vietnam, and China**, which access global cotton **duty-free**; the duty had made Indian yarn/garments costlier.

INDIA'S COTTON & TEXTILE FOOTPRINT

INDICATOR	DETAIL
Major producing states	**Gujarat, Maharashtra, Telangana, Andhra Pradesh, Karnataka, Punjab, Haryana**
India's global rank	Among the **world's largest cotton producers and consumers**
Sector importance	Textiles are a major **employer** (after agriculture) and **export earner**
MSP	Cotton is covered under the **Minimum Support Price** regime; **CCI (Cotton Corporation of India)** is the procurement agency
Policy support	**PM MITRA** mega textile parks; **PLI scheme** for textiles (MMF and technical textiles)

WAY FORWARD

1. **Boost productivity** — raise per-hectare yields via better seed (incl. policy on extra-long-staple and high-yield varieties), pest management, and extension.
2. **Self-sufficiency in ELS cotton** — India imports **extra-long-staple (ELS) cotton**; domestic ELS programmes can cut import dependence.
3. **Stabilise the policy** — repeated on/off duty changes create uncertainty; a predictable, formula-based mechanism would help both mills and farmers plan.
4. **Value-chain push** — PM MITRA and PLI to move India up from yarn to **higher-value garments and technical textiles**.

UPSC RELEVANCE

PAPER	RELEVANCE
GS3	Indian economy — trade policy, customs duties, MSME competitiveness, agriculture-industry linkages
Mains	“Frequent changes in cotton import duty reflect an unresolved tension between textile manufacturers and cotton farmers. Discuss the policy options for a durable solution.”
Prelims	Cotton duty 11% (BCD + AIDC); waiver June–Oct 2026; CITI, AEPC; CCI (procurement); PM MITRA parks; ELS cotton; major producing states

FACTS CORNER

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COTTON IMPORT DUTY WAIVER 2026:

- Duty waived: 11% (≈10% BCD + ≈1% AIDC/cess)
- Window: June 1 – end-October 2026
- Reason: 11–15% price surge; supply shortfall
- Second waiver in 12 months (earlier: Aug–Dec 2025); duty had been reimposed Jan 1, 2026
- Welcomed by: CITI, AEPC

MILLS VS FARMERS:

- Helps spinning/garment MSMEs & exporters (cheaper input)
- Risk: depresses domestic cotton prices, hurting farmers
- Competitors Bangladesh, Vietnam, China get cotton duty-free

INDIA'S COTTON/TEXTILES:

- Top producing states: Gujarat, Maharashtra, Telangana, AP, Karnataka, Punjab, Haryana
- CCI = Cotton Corporation of India (MSP procurement)
- Policy: PM MITRA parks, PLI for textiles
- India imports extra-long-staple (ELS) cotton

Sources: Ministry of Textiles, Mint, The Tribune

Source: India Suspends 11% Cotton Import Duty to Aid Textile MSMEs — Ujiyari.com | Free UPSC & State PCS Current Affairs

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