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CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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CITI signs MoU to advance regenerative cotton in India

The Confederation of Indian Textile Industry (CITI) has signed an MoU with the International Cotton Advisory Committee (ICAC) and technology company Merago Inc. to develop carbon credit projects based on regenerative agricultural practices. The initiative is designed to advance sustainable cotton production in India while enabling cotton farmers to earn additional income through carbon credit generation.

The MoU was exchanged during the 56th Foundation Day celebrations of the Cotton Corporation of India on August 1, in the presence of Union Textiles Minister Giriraj Singh and senior Maharashtra government ministers Sanjay Shirsat, Sanjay Savkare, and Atul Save. Union Textiles Ministry Joint Secretary (Fibre) Padmini Singla, Textile Commissioner Vrunda Manohar Desai and Cotton Corporation of India CMD Lalit Kumar Gupta were also present at the occasion.

CITI Chairman Ashwin Chandran said, "At CITI, it has always been about industry plus farmer. Our collaboration with the International Cotton Advisory Committee and Merago reflects that philosophy by strengthening sustainability in the Indian textile and apparel ecosystem and creating additional income opportunities for farmers."

"Given the increasing focus on sustainability worldwide, the CITI-ICAC-Merago tie-up will also increase the global competitiveness of India's textile and apparel industry by lowering the carbon footprint of India's cotton arena," Chandran pointed out.

Under the partnership, ICAC will serve as the principal technical knowledge partner, providing agricultural expertise, technology, training, and technical support. Cotton farmers associated with CITI-Cotton Development Research Association (CITI CDRA) and its affiliated partners will adopt regenerative practices to improve soil health and increase carbon sequestration. These practices will include producing biochar and compost from agricultural biomass and applying them to cotton fields.

Merago will provide the digital technology platform for project implementation and oversee carbon asset management, while CITI CDRA will lead project execution and farmer engagement.

Carbon credits generated under the project will be developed, verified and transferred in accordance with Article 6 of the Paris Agreement, India's applicable laws and carbon market regulations. Verified emission reductions and removals will be recorded in the national carbon registry before their issuance, transfer or commercialisation.

Subject to regulatory approvals, a designated share of the verified carbon removals will be certified as transferable carbon credits for sale in domestic and international carbon markets. Merago will manage the commercialisation of carbon credits and distribute the proceeds among CITI, ICAC and participating farmers in line with the agreed revenue-sharing framework.

India’s textile and apparel sector is the country’s second-largest livelihood generator after agriculture. India aims to create a $350 billion textile and apparel industry by 2030, including $100 billion in exports.

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India fixes cotton MSPs; Suvin gets highest support at $103/quintal

The Government of India has notified the minimum support price (MSP) for all Fair Average Quality (FAQ) cotton varieties for the 2026-27 cotton season, with premium extra-long staple (ELS) variety Suvin receiving the highest MSP of ₹9,867 ($103.6) per quintal. The Cotton Corporation of India (CCI) will begin procurement from October 1, 2026, whenever market prices fall below the notified MSP.

The notification follows the government's earlier announcement of benchmark MSPs for medium staple cotton at ₹8,267 per quintal and long staple cotton at ₹8,667 per quintal. Based on staple length, micronaire values and quality differentials, the Ministry of Textiles has now fixed MSPs for all recognised cotton varieties grown across India's cotton-producing states.

Suvin is an extra-long staple (ELS) cotton variety grown mainly in Tamil Nadu, in the Coimbatore region. Developed by crossing India's Sujata with Egyptian St Vincent cotton, it is valued for its superior fibre quality and is used to produce premium fine-count yarns

and high-end textiles. Suvin cotton will be purchased by the government's company at ₹9,867 per quintal.

Suvin was followed by DCH-32 at ₹9,067 and MCU-5/Surabhi at ₹8,867, reflecting the premium attached to extra-long staple cotton. In the long staple category, Bunny/Brahma has been fixed at ₹8,667, Shankar-6/10 at ₹8,617, while H-4/H-6/MECH/RCH-2 and F-414/H-777/J-34 Hybrid are priced at ₹8,567 per quintal.

For medium-long staple cotton, MSPs range from ₹8,267 for J-34 (Rajasthan) to ₹8,417 for F-414/H-777/J-34 Hybrid. Medium staple varieties such as Jayadhar, V-797/G Cot 13/G Cot 21, and AK-7Y-1/MCU-7/VSVPR-2 are priced between ₹8,017 and ₹8,117 per quintal. The lowest MSP of ₹7,767 per quintal has been fixed for short staple varieties Assam Comilla and Bengal Deshi.

The MSP schedule reflects India's diverse cotton production landscape, covering short staple, medium staple, medium-long staple, long staple, and extra-long staple cotton. The indicative varieties listed in the notification are widely cultivated across major cotton-producing states, including Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Telangana, Andhra Pradesh, Karnataka, and Tamil Nadu. While the benchmark MSP is fixed for two principal kapas grades, the final support prices vary according to fibre length and quality parameters to ensure equitable returns across different cotton-growing regions.

The order also prescribes quality-linked premiums and deductions based on micronaire values. Medium-long staple cotton qualifying within the specified micronaire range will receive a premium of ₹30 per quintal, while deviations attract deductions. For long and extra-long staple cotton, MSP is reduced by ₹25 per quintal for every 0.2 variation in micronaire outside the prescribed range. The minimum acceptable micronaire has been fixed at 3.0 for most cotton classes and 2.8 for extra-long staple cotton.

The government has retained the baseline moisture content at 8 per cent for procurement. Cotton with moisture above 8 per cent and up to 12 per cent will receive proportionately lower prices, while produce with moisture below 8 per cent will qualify for incentives. Cotton with moisture exceeding 12 per cent will not be accepted under MSP procurement. Procurement agencies have also been directed to scientifically assess micronaire and other fibre quality parameters at purchase centres to ensure transparent and uniform procurement operations.

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Comprehensive Information on Cotton Production in India

India is one of the largest cotton producing and 2nd largest cotton exporting countries in the world. In fact, cotton is a cash crop that yields huge profits. Of the 4 cultivated species of cotton, India has the sole power to grow them all, including their intra & inter-specific hybrids. Basically, here cotton production is done in 3 distinct zones as: Central (Maharashtra, Gujarat & MP), Northern (Rajasthan, Punjab & Haryana) and Southern (Karnataka, Tamil Nadu & Andhra Pradesh). Cotton is a kharif crop that requires duration of 6-8 months to grow properly. Depending upon the climatic conditions, it's time of sowing & harvesting is different in different regions. For instance, Cotton is grown in April & May in Punjab and Haryana and harvested in December & January. This is because frost can damage the crops before winter season.

As per the recent reports by CAI (Cotton Association of India), the estimated cotton crop for the year 2017-18 is expected at 375 bales of 170 kg, higher than 37 (approx) bales as compared to the last year. The production of cotton is quite higher this year. In percentage terms, cotton production has been estimated to be on the upper side by about 18% than that of previous year.

The CAI, however, is estimating the yield to be around 9% lower this year on account of damage caused by pink boll worms. As per the Cotton Association of India, the total cotton supply for the year 2017-18 is 422 lakh bales. This includes the opening stock of 30 lakh bales cotton and imports of 17 lakh bales.

The fertilizers that are beneficial for sowing BT cotton are phosphorus, potash, nitrogen, etc. Plus, usage of modern tractors from Eicher, Mahindra, Escorts, Sonalika, etc. fuels the production process and maximize profits as a whole.

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The problem with India's free trade agreement strategy

Read more at : https://www.thehindu.com/data/the-problem-with-indias-free-trade-agreement-strategy/article71305162.ece

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India, US working towards interim trade agreement: MME

Read more at: https://m.economictimes.com/news/economy/foreign-trade/india-and-us-set-to-finalize-interim-trade-agreement-amid-positive-discussions-says-mea/articleshow/132866807.cms

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India, Uzbekistan could explore FTA, says Piyush Goyal; Uzbekistan invites Indian investment in mining, rare earths

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Indian economy to hit $5-trillion mark in FY29 as per IMF: Finance Minister Nirmala Sitharaman

Indian economy is set to cross $5-trillion mark in FY29 as per the International Monetary Fund (IMF) and the government has adopted a broad-based growth strategy to achieve the milestone, Finance Minister Nirmala Sitharaman said in the Rajya Sabha on Tuesday (August 4, 2026).

As per the World Economic Outlook database (April 2026) published by the IMF, India's GDP at current prices is projected to be around $5.1 trillion by 2028-29, she said in a written reply.

UK FTA could be $1-bn opportunity for Indian textile industry: Ind-Ra

India Ratings and Research (Ind-Ra) believes the UK-India Free Trade Agreement (FTA) offers a strong medium-to-long-term growth opportunity for India's textile industry, potentially opening up almost $1 billion in incremental export opportunities.

Though this will enhance export competitiveness and market share in the United Kingdom, the extent of the benefits will depend on how effectively Indian textile companies expand capacity, manage costs, meet compliance requirements and maintain financial discipline, Ind-Ra said in a note.

It views the FTA as credit positive for textile exporters. While the agreement enhances export opportunities, the benefits will accrue gradually and depend on factors like capacity expansion, buyer approvals, working capital management and regulatory compliance.

“Large, integrated textile companies are better positioned to capitalise on these opportunities due to their scale, established customer relationships, and stronger financial resources. In contrast, small players may face challenges if expansion is funded through excessive debt, which could pressure leverage and liquidity,” said Rohit Sadaka, director, corporate ratings at the company.

The United Kingdom is India's third-largest textile export destination, accounting for nearly 6.1 per cent of textile exports. At the same time, imports of UK-origin textile products into India remain negligible, representing less than 1 per cent of domestic consumption.

India's share of the UK textile import market is only about 6.9 per cent, indicating significant headroom for growth. As a result, the FTA should benefit Indian exporters more than UK suppliers, supporting export expansion without materially impacting domestic manufacturers, Ind-Ra remarked.

One of the most attractive aspects of the agreement is the opportunity to increase market share in apparel and home textiles, it noted.

The removal of the previous 12-per cent tariff disadvantage significantly improves the landed cost competitiveness of Indian products in the UK market. This could help Indian exporters gain share from Chinese suppliers over time.

However, competing with Bangladesh may prove more challenging due to Bangladesh's scale advantages and lower production costs.

Even a 3-per cent rise in India's share of the UK textile import market from the 6.9 per cent now to around 10 per cent could translate into an incremental export opportunity of around $900 million for Indian players, Ind-Ra concluded.

Although the FTA enhances competitiveness, profitability gains are unlikely to be immediate. UK buyers may negotiate lower prices and absorb part of the tariff benefits, limiting near-term margin expansion.

Over time, higher export volumes can improve operating leverage and support profitability. However, elevated fuel, power, freight and shipping costs may offset some of these gains in the short term, Ind-Ra added.

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Global textile trade's hidden water costs threaten emerging market supply chains

The global textile industry has helped transform economies from Bangladesh to Uzbekistan, creating millions of jobs and driving export growth, but the water-intensive foundations of the trade are exposing some of the world's biggest manufacturing hubs to rising environmental and economic risks, according to a report by Chatham House.

As outlined in the report by the London-based think-tank, the clothing industry relies on vast quantities of "virtual water" embedded in global supply chains, with water consumed in cotton fields, polyester factories, textile mills and garment production sites often far from the consumers who ultimately buy the products.

"Every textile carries a hidden 'water footprint' – an indicator of the amount of water embedded in its production, trade, consumption and end-of-life disposal," Chatham House said.

The report highlights a challenge facing many emerging markets: textile manufacturing has become a crucial engine of industrialisation and employment, but climate change and growing water scarcity are making traditional production models increasingly vulnerable.

Countries including Bangladesh, Pakistan, India and Uzbekistan have sought to move up global textile value chains, expanding from raw material production into spinning, weaving, dyeing and finished garment exports. But the same water pressures that helped shape their textile industries are now threatening their future growth.

"Unsustainable water use can degrade ecosystems, disrupt supply chains and threaten local communities' equitable access to water," the report said.

Central Asia's cotton legacy

For decades, Uzbekistan was one of the world's largest cotton producers, with irrigation from the Amu Darya and Syr Darya rivers helping transform desert areas into agricultural land during the Soviet period. But intensive water use contributed to the drying of the Aral Sea, one of the world's most severe environmental disasters.

In recent years, Uzbekistan has attempted to reshape its cotton and textile industries, reducing reliance on raw cotton exports and encouraging domestic processing to capture more value from the supply chain. The country has invested heavily in textile factories, spinning facilities and garment production as part of efforts to diversify its economy and create jobs. Yet the expansion of domestic textile processing has also increased the importance of managing water consumption and wastewater treatment.

The Chatham House report does not single out Uzbekistan among current global textile exporters, but its analysis of cotton-producing regions highlights the challenges facing countries where textile growth is closely tied to scarce freshwater resources.

Cotton production globally accounts for around 8% of the blue water footprint of all crop production and about 10% of total unsustainable blue water use, the report said.

Between the periods 1972-76 and 2014-18, the unsustainable blue water footprint of global cotton production increased by almost 20% to 70.9bn cubic metres annually. Much of that water is effectively transferred through international trade. Between 2014 and 2018, around 71% of the unsustainable blue water used for cotton production was traded virtually through exports. The result is that countries importing textiles may be relying on water use in producing countries that face far greater water stress than their final markets.

Textile growth brings jobs and risks

The textile industry employs around 90mn people worldwide, more than half of whom are women, and has played a central role in economic development across emerging markets.

Bangladesh is one of the clearest examples. The country's garment sector has become the backbone of its export economy, accounting for roughly 80% of export earnings. Pakistan's textile sector is similarly important, generating around $16bn-17bn in annual export earnings and contributing about 60% of export revenues in 2023. For these countries, textiles have created industrial jobs and helped integrate developing economies into global trade networks.

However, Chatham House warned that economic success can also make countries dependent on production systems that create environmental pressures. "The industry has become emblematic of both immense opportunity and significant controversy," the report said.

Many major textile-producing regions are already experiencing water stress. Around a quarter of the global population is exposed to extremely high water stress, with 74% of South Asia's population affected. An analysis of apparel and textile industry clusters found that 15% of facilities assessed in 2020 were located in areas facing above-medium water scarcity risks. By 2050, that figure could rise to 23%. Water quality risks are even more significant, with almost half of sites already facing high water quality risks and nearly three-quarters projected to face high to extreme risks by 2050.

From cotton fields to dye houses

Water pressures are spread across every stage of textile production. Cotton cultivation requires significant irrigation in many growing regions, while synthetic fibres such as

polyester rely on energy-intensive industrial processes. Polyester accounted for around 59% of global fibre production in 2024, with China producing about 60% of global output.

The next major pressure point comes during textile processing. Dyeing, bleaching, washing and finishing garments require large amounts of water and chemicals. Poorly treated wastewater can contaminate rivers and groundwater, affecting both ecosystems and communities living near industrial zones.

“Approximately half of the water consumed in the textile garments supply chain is in the wet processing and garment production phase,” Chatham House said.

For emerging market economies seeking to attract textile investment, improving wastewater treatment and water efficiency is becoming increasingly important. International buyers are facing growing pressure from consumers, regulators and investors to demonstrate that their supply chains meet environmental and social standards. This is creating both challenges and opportunities for countries such as Uzbekistan, where policymakers have sought to attract investment into more sophisticated textile production while improving sustainability standards.

Supply chain concerns

The report warned that climate change is likely to intensify existing vulnerabilities through more frequent droughts, heatwaves and floods. Recent climate shocks in South Asia have highlighted the risks. Flooding in Bangladesh and extreme heat in India have disrupted production and affected communities already facing water pressures.

In textile-dependent economies, water insecurity is becoming an economic issue as well as an environmental one. Disruptions to water availability can affect factory operations, agricultural production and export competitiveness. Companies and investors are increasingly assessing water risks as part of broader supply-chain resilience strategies. The report said failure to manage water dependencies creates “operational, reputational and financial risks” for businesses.

Chatham House called for governments, companies and investors to rethink how water risks are managed across global textile supply chains. It said trade policies should

incorporate water stewardship and circular economy principles, while governments should develop common approaches to measuring textile water footprints.

For emerging markets, the challenge will be balancing continued industrial development with more sustainable production methods. The report argued that transformation would require investment in areas including regenerative agriculture, forest conservation, recycling technologies and improved monitoring of supply chains.

“Addressing the water footprint of textiles demands a whole-of-value-chain approach, and collective commitment to more sustainable and circular practices,” it said.

For countries such as Bangladesh, Pakistan and Uzbekistan, textiles remain a vital source of jobs and export revenue. But the future competitiveness of their industries may increasingly depend not only on production capacity and labour costs, but also on their ability to manage one of the world’s most critical resources.

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The New Global Economy: The AI threat to financial stability

US Federal Reserve chair Kevin Warsh recently announced a new task force that will "survey the pace, the reach [and] the economic impact of new general purpose technologies, including artificial intelligence (AI), and explore the implications for the Fed" as it pursues its "employment and inflation mandates". Notably absent from his statement was any mention of the impact of AI on financial stability, the Fed's de facto third mandate.

The Fed has shown some awareness of the risks AI poses to financial stability. In April, Warsh's predecessor, Jerome Powell, together with US Treasury Secretary Scott Bessent, convened a meeting to assess how advanced AI models could affect cybersecurity in the banking system. But even this approach was far too narrow.

In the US, both the financial system and asset markets have become a one-way bet on AI. If current trends persist, outstanding AI data centre debt will surpass mortgage debt by the end of this decade. The Fed should now be asking whether the revenues from these data centres will generate enough cash to repay creditors on time.

That question is often conflated with two others: whether AI is a bubble and whether it is a transformative technology. One might be tempted to position this as a dichotomy — AI is either a bubble or a transformative technology — but this would be a mistake. The US railroad boom of the 19th century ended in the Panic of 1873 and the telecom and dotcom boom of the 1990s culminated in a stock market crash. In both cases, the technology was genuinely transformative but creditors and shareholders were wiped out anyway because investment outpaced any plausible near-term return.

Likewise, when it comes to AI, technological success will not guarantee financial success. The revenues AI will generate remain uncertain but borrowers' repayment schedules are fixed. AI tools can be widely adopted and a data centre can be heavily used without producing enough cash to service their owners' debts. The concern about financial stability arises from the mismatch between speculative future revenues and present contractual obligations.

The arithmetic is daunting. David Cahn of venture capital firm Sequoia estimates that this year's roughly US$750 billion (RM3.07 trillion) in hyperscaler AI capital expenditure will need to generate about US$1.5 trillion in end-customer revenue over the life of the equipment to pay for itself. By his calculation, the entire AI buildout since the 2022 launch of ChatGPT now carries a cumulative payback minimum of US$3 trillion. Anthropic is rumoured to have annualised revenues of around US$60 billion.

Consulting firm Bain & Co calculates that funding the compute needed to meet anticipated AI demand by 2030 will require US$2 trillion in new annual AI revenue. Given that a bubble is what happens when an asset's price far exceeds the cash flows it generates, such projections seem to support warnings that AI is indeed a bubble.

Already, funding for the AI buildout has shifted decisively from the tech giants' cash flows to capital markets. Circular financing arrangements abound: chipmakers invest in AI labs, which use the money to buy chips, and cloud providers fund the start-ups that rent their servers. The result is a positive feedback loop between rising valuations and capital expenditures.

Chip giant Nvidia has emerged as a backstop for the "neoclouds", allowing thinly capitalised cloud providers to raise private financing on attractive terms. Tech giants accumulate massive off-balance-sheet liabilities through joint ventures and leasing structures. And a growing share of the capital comes from private credit funds, which often lend to projects affiliated with their own sponsors.

Unlike the railroads or fibre-optic cables produced by earlier manias, this investment does not leave behind durable assets. Chips comprise roughly half the cost of an AI data centre and they are effectively unusable after three to five years. The collateral might lose value faster than the debt is repaid.

Moreover, the broad-based productivity gains and labour market effects that AI is widely expected to deliver are not yet visible in the data. A recent Fed staff note concludes that this is because AI remains in its "buildout" phase. But a productivity surge will also require businesses to make immense internal investments to reengineer their processes. Nevertheless, markets are already pricing in robust earnings growth, driven in part by AI-driven productivity gains, raising concerns about an "earnings bubble".

Most discussions of the downside risk of the ongoing AI boom have focused on the stock market. But the bigger risk is to credit markets. We now have a “market-based” financial system, in which credit is intermediated less by banks than by bond markets, securitisation vehicles and non-bank lenders. The danger is not a 1930s-style run on bank deposits but a 2007-style run on the shadow banking system: doubts about credit quality trigger a contraction in short-term funding and borrowers must sell in a falling market, leading to further price declines.

With short-term funding markets seizing up, the Fed would come under enormous pressure to backstop non-bank lenders and data-centred debt, just as it backstopped money market funds in 2020, at the start of the Covid-19 pandemic. But AI is even less popular today than Wall Street was in 2007. A bailout of both would likely destroy what remains of Fed independence.

There is a chance that massive AI capital spending will be vindicated, generating the revenues required to service trillions of dollars in debt. In that case, however, the implied labour market dislocation would be without historical precedent. It is the coin flip of nightmares: heads is financial instability and tails is a biblical employment shock.

In any case, financial stability must be central to the Fed’s AI agenda. Even if this time proves to be different technologically, it might not be different financially.

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