

# India Imposes Duty on Cotton Imports to Support Farmers

Pratik Parija | February 01 2021

**(Bloomberg)** -- India, the world's biggest cotton grower, imposed a 10% duty on imports of the fiber to help farmers, Finance Minister Nirmala Sitharaman said in her budget speech in parliament on Monday.

The tax comprises a basic customs duty of 5% and an additional 5% levy to finance the development of agricultural infrastructure in the country, according to the budget documents.

A levy on overseas purchases will potentially support local prices amid higher domestic production and prevent distress sales by the growers. There was no duty on cotton imports until now.

The government also raised the levy on raw silk and silk yarn to 15% from 10%, according to the minister.

India's cotton output may climb to 37.12 million bales of 170 kilograms each in 2020-21, from 35.49 million bales a year earlier, according to the farm ministry. Imports are expected to fall to 1.4 million bales this year from 1.55 million bales in 2019-20, according to the Cotton Association of India.

The state-run Cotton Corp. of India will increase purchases from farmers to 12.5 million bales in 2020-21 from 10.5 million bales a year earlier, according to the textile ministry. The government plans to spend 350 billion rupees (\$4.8 billion) to buy cotton, compared with 285 billion rupees a year ago.

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**Source:** <https://www.bloombergquint.com/business/india-imposes-10-duty-on-cotton-imports-to-support-farmers>