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GAIN Report

Global Agricultural Information Network

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Indian Raw Wool Imports Grow

Report Categories:

Livestock and Products

Product Brief

Market Development Reports

Approved By:

Scott Sindelar

Prepared By:

Joshua Emmanuel Lagos and Vijay Intodia

Report Highlights:

For fiscal year (FY) 2012-13 (April-March) raw wool production was 46.1 million kilograms (kg), which has decreased in the last 10 years due to a lower sheep population. Although Indian domestic demand is low, for calendar year (CY) 2014, raw wool imports were 96.13 million kg, 8.23 percent higher than the previous year on higher global demand for Indian exports of fabric, apparel, and other intermediate to finished wool products.

Executive Summary:

For fiscal year (FY) 2012-13 (April-March) raw wool production was 46.1 million kilograms (kg), which has decreased in the last 10 years due to a lower sheep population. Most wool is produced in Rajasthan, Karnataka, Jammu and Kashmir, Andhra Pradesh, Gujarat, Himachal Pradesh, Maharashtra, and Uttar Pradesh. Industry sources believe that the woolen apparel sector for the Indian market is growing less than five percent per year due to high imported wool prices. For calendar year (CY) 2014, raw wool imports were 96.13 million kg, 8.23 percent higher than the previous year on higher global demand for Indian exports of fabric, apparel, and other intermediate to finished wool products. In the same time frame, overall woolen exports increased by 10.5 percent to \$1.058 billion.

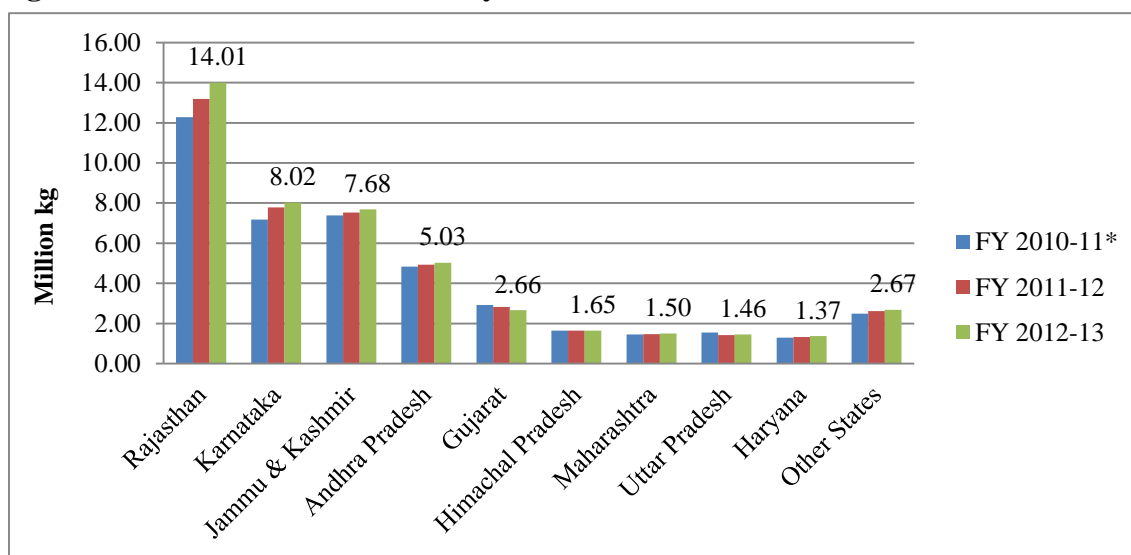
General Information:

Production

According to Government of India (GOI) estimates, for fiscal year (FY) 2012-13 (April-March) raw wool production was 46.1 million kilograms (kg), which has decreased in the last 10 years due to a lower sheep population. The GOI 2012 livestock census reported that since 2007 the sheep population declined by 9.07 percent to 65 million. The average annual yield is .9 kg per sheep, much lower than the world average of 2.4 kg per sheep. Sheep farming is generally unorganized, and lacks sufficient veterinary or extension services.

Most wool is produced in Rajasthan, Karnataka, Jammu and Kashmir, Andhra Pradesh, Gujarat, Himachal Pradesh, Maharashtra, and Uttar Pradesh (Please see Figure 1). In general, Indian wool is coarse, and considered to be of low quality (28 microns and above); it is primarily used to manufacture hand-made carpets. India's agro-climatic conditions do not favor higher quality wool production. Only some areas that border the Himalayas produce finer grade wool.

Figure 1: India: Wool Production by State



Source: Department of Animal Husbandry, Dairying, and Fisheries, Government of India
*FY is April to March

Value Added Sector

The organized woolen textiles and clothing sector includes composite mills, combing units, worsted and non-worsted spinning units, knitwear/apparel units, and machine-made carpet manufacturers. The unorganized segment constitutes small to medium manufacturers that focus on hosiery/knitwear, hand-made carpets, and woolen handloom fabrics. The woolen apparel industry mostly has small to medium non-integrated spinning, weaving, and processing mills; there are only a few large, vertically integrated manufacturers that produce high quality and internationally branded products. Many woolen manufacturers are located in Ludhiana, Punjab.

Woolen products are manufactured to different specifications that cater to low, medium, and high end consumers. Mills produce a range of intermediate to finished woolen products such as worsted yarn, woolen yarn, wool tops, woolen/worsted fabrics, knitwear, and carpets made from various qualities of imported and domestic wool. Branded apparel manufacturers only use higher quality imported wool (less than 24 microns); it imports an estimated 35 to 40 million kg. Domestic wool is generally too coarse for apparel. Other textile mills blend higher quality imported wool with medium to lower quality imported and domestic wool and synthetic fibers, such as polyester, for other consumer segments and products. The knitwear sector mainly uses 24 to 30 microns for products such as cardigans, pullovers, socks, gloves, and mufflers. Carpet manufacturers use 30 to 50 microns, and blends domestic with New Zealand wool.

Consumption

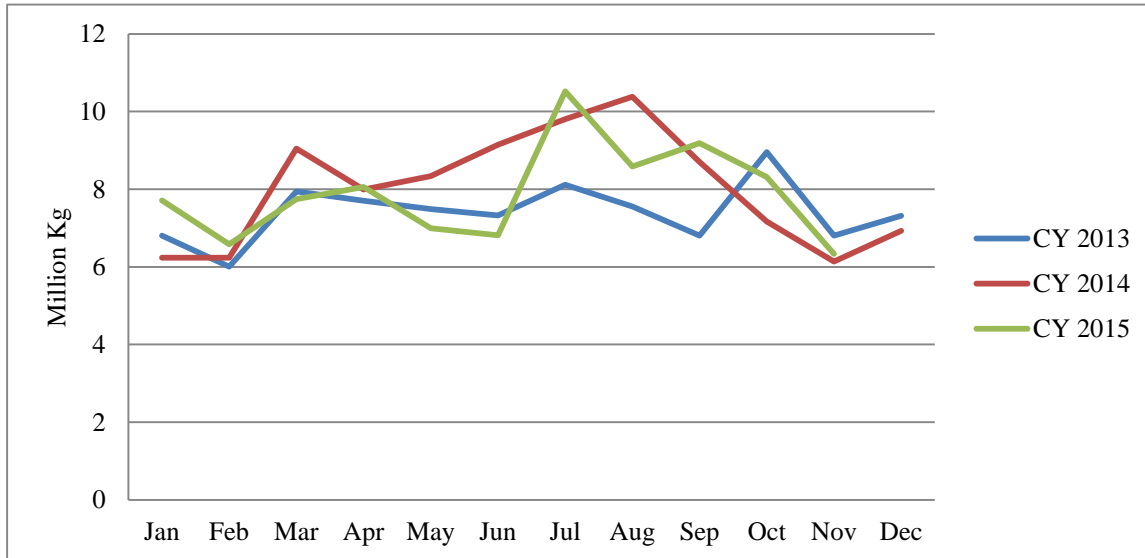
Industry sources believe that the woolen apparel sector for the Indian market is growing less than five percent per year due to high imported wool prices. Because the Indian market is price sensitive, industry blends relatively less expensive alternatives such as polyester and other synthetic fibers with domestic wool to keep prices affordable for consumers.

Imports

For calendar year (CY) 2014, raw wool imports (HS code 5101- wool, not carded or combed) were 96.13 million kg, 8.23 percent higher than the previous year on higher global demand for Indian exports of fabric, apparel, and other intermediate to finished wool products (Please see the Export section below). In value terms, total imports were \$356 million, of which 87 percent was raw wool due to higher tariffs for intermediate products (Please see the Policy section below). From CY 2009 to 2014, raw wool imports increased at a compound annual growth rate of 10 percent (Please see Figure 2).

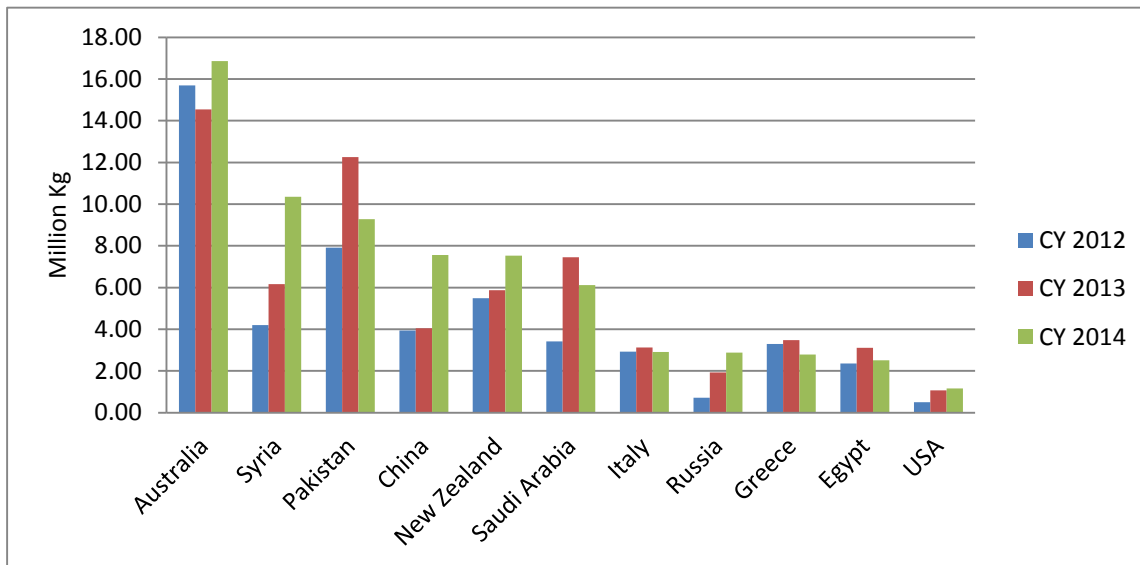
India imports various qualities of raw wool. Post contacts note that higher quality Australian wool is used for clothing, apparel, and knitwear because of its wool top yields, longer staple length, low vegetable matter, white color, higher staple strength, and negligible black fiber content. U.S. wool is more of a medium quality product, and is used by the Indian mills and manufacturers to produce products such as knitwear and fabrics. Although China and India have traded places as the top market for U.S. wool exports in the last few years, in CY 2014 India became the number one market and imported 1.16 million kg from U.S. Other major raw wool exporters are included in Figure 3.

Figure 2: India: Raw Wool Imports by Month*



Source: Global Trade Atlas
 * HS Code 5101

Figure 3: India: Indian Imports of Raw Wool from Major Suppliers*



Source: Global Trade Atlas
 * HS Code 5101

Exports

India does not export raw wool, but does ship intermediate and finished products such as woolen yarn, fabric, clothing, and carpets (HS codes 51, 57, 61, 62, and 63), which generally have increased in the last few years due to price competitiveness. In CY 2014, in comparison to last year, overall woolen exports increased by 10.5 percent to \$1.058 billion. In CY 2014, yarn and woven fabric exports (HS code 51) were \$178.6 million, up by 19.6 percent. The exports of woolen apparel and clothing (HS code 61 and 62) in CY 2014 were \$321.31 million, up by 4.15 percent. The exports of other textiles of woolen (HS

code 63) were \$5.32 million in CY 2014, up by 30 percent.

Major importers of intermediate products included the United Kingdom, United States, South Korea, Japan, Germany, Italy, and United Arab Emirates. The United States and many western European countries import apparel and clothing, while woolen carpets are mainly exported to the United States, United Arab Emirates, and western Europe. Hand tufted and hand-made carpets are the largest share of Indian finished product exports. Woolen carpets and other floor covering exports (HS Code 57) increased by 11 percent to \$531.01 million in CY 2014, 51 percent of total wool product exports.

Policy

There are no import quotas for raw wool (HS code 5101); tariffs are also low at five percent. Imported woolen textiles and blended fabrics must include a certificate of origin, as well as certification from a laboratory accredited to the National Accreditation Agency that details the fiber blend. Consignments with no certificate will only clear customs after being tested and certified by GOI labs. Tariffs for woolen textiles, fabrics, and other intermediate and finished products may be as high as 10 percent. On certain woolen products either a tariff of up to 10 percent or a fixed amount that is determined by product size (square meters) or quantity is levied.