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Cotton yarn price surge weighs on Indian textile industry as FTA gains remain elusive

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The increase in cotton yarn prices is hurting the profitability of the textile industry even as free trade agreements (FTAs) signed in recent times position India as a globally competitive player. The price surge over the past few months is impacting the textile industry at a time when it was expected to be a major beneficiary of the policy initiatives undertaken by the government.

Cotton yarn prices have increased 60% to around Rs 400 per kg from Rs 250 per kg in early 2026, according to the Apparel Export Promotion Council (AEPC). Amid the sharp increase, apparel exporters last month urged Commerce Minister Piyush Goyal to consider steps to regulate cotton yarn exports to contain rising yarn prices, as per media reports.

Industry experts expressed disappointment over the situation. Kumar Duraiswamy, Secretary General, Tiruppur Exporters' Association (TEA), says the rise in yarn prices and the cotton shortage are creating a major crisis for the textile industry. "India is facing a shortage of around 10 lakh bales of cotton. [We] need to extend the import duty exemption on cotton and increase domestic cotton production through the Cotton Mission," he says.

R. Gopalakrishnan, Treasurer of TEA, cites prevailing international market conditions and declining production as reasons for the surge in yarn prices.

India, the second largest cotton producer, produced 290.91 lakh bales (Provisional) in the 2025-26 cotton season compared to 352.48 lakh bales in 2020-21, as per government data. The government attributes the decline in production primarily to "changes in cotton acreage, as some farmers have diversified to other remunerative crops."

High yarn prices putting pressure on margins:

"Rising yarn prices are directly squeezing margins across the textile value chain, particularly for downstream manufacturers who cannot immediately pass higher input costs to global buyers. Tirupur exporters estimate production costs have increased by up to 15%," Kanishk Maheshwari, Co-founder and Managing director, Primus Partners.

Highlighting the gravity of the situation, Gopalakrishnan says that due to high yarn prices and a cotton shortage, "the spinning mills in the country are operating with cotton stocks sufficient for only four to six weeks."

Textile players also expressed concern that the high yarn prices are leading increased costs for fabric and garments, which in turn is putting pressure on margins. Hemant Jain, Joint MD, Kewal Kiran Clothing Limited (KKCL), says while the effect is not always immediate due to existing inventory, procurement cycles, and contracts, a sustained increase eventually reflects in their cost structure.

"The bigger challenge is that we operate in a competitive and price-sensitive market. We cannot pass on the entire increase to the consumer without affecting demand and competitiveness. So, we must manage the pressure through a combination of sourcing efficiencies, inventory management, operational efficiencies, and, to some extent, margin absorption," he says.

Jain believes FTAs can definitely create bigger opportunities for the textile industry, ensuring a competitive cost structure is key. "It cannot be that we get market access on one side, but our input costs make us uncompetitive on the other. The way forward is to strengthen the complete value chain—from raw materials to manufacturing and exports," he emphasises.

According to experts, ensuring competitive input costs, better scale, and policy stability will put the industry in a stronger position to take advantage of these global opportunities.

So, what really is the way forward?:

For the industry, some stability in the prices of cotton and yarn would make a meaningful difference, says Jaiwant Singh Dhingra, Director-Marketing & Business Development, Numero Uno Clothing Ltd. "As a home-grown brand, we would like to see policies that support the domestic textile industry and make the availability of raw materials more predictable."

Dhingra calls for greater support towards technology and modern manufacturing, particularly for Indian companies looking to become more efficient. "These steps can help the industry manage cost pressures while strengthening India's textile and apparel manufacturing base over the long term," he adds.

According to Primus Partners' Maheshwari, priority should be to ensure adequate and predictable raw-material availability, including greater flexibility on cotton imports and calibrated measures to prevent supply-side distortions in yarn. "The recent duty-free cotton import window is a step in the right direction, but a more structural approach is needed to improve cotton productivity, market transparency and supply-chain efficiency," he says.

Regarding FTAs, Maheswari says, trade agreements provide market access, but cost competitiveness ultimately determines whether Indian exporters can capture that opportunity. "India, therefore, needs to address input-cost volatility alongside productivity, scale, technology adoption, and faster turnaround so that tariff advantages translate into sustained export orders rather than being absorbed by higher production costs."

The larger priority, Maheswari says, should be to move from short-term price management towards building a globally competitive textile value chain—from cotton and yarn through to finished apparel. "Stable input availability, higher productivity, and greater value addition will be critical if India is to use its expanding FTA network to gain durable market share globally," he says.