Chitrika – Artisan Development Organisation

Pan-Andhra Handloom Market Study

Chitrika
Textile Industry Structure
Indian Textile Industry—An overview

1. Textile Industry Contributes -
   - 14% of the Industrial Production
   - 13.5% of Export Earnings
   - Contributes 4% to GDP and
   - Employs 35 Million People

2. Apparel Market Size will grow from Rs. 93,600 Crores in 2005 to Rs 394,400 Crores in 2025

3. Investments will increase from Rs 104,506 in 2004-08 to Rs 150,000 Crores by 2012 generating additional 17.37 million jobs.

4. India is next only to China as the worlds’ largest producer of cotton yarn and fabrics
Textile Production

Total textile production (billion Sq Mtrs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (billion Sq Mtrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>46</td>
</tr>
<tr>
<td>2006-07</td>
<td>50</td>
</tr>
<tr>
<td>2007-08</td>
<td>58</td>
</tr>
</tbody>
</table>
## Growth in Fabric Consumption

### India: Growth in fabric consumption by type, 1972-2002

<table>
<thead>
<tr>
<th>Period</th>
<th>Cotton</th>
<th>Manmade and blended</th>
<th>Total</th>
<th>Real gross domestic product/capita</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-------</td>
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<td>-----------------------------------</td>
</tr>
<tr>
<td>Average for:</td>
<td></td>
<td></td>
<td></td>
<td>1993/94 Rs</td>
</tr>
<tr>
<td>1972-74</td>
<td>17.4</td>
<td>2.8</td>
<td>20.2</td>
<td>5,255</td>
</tr>
<tr>
<td>1979-81</td>
<td>14.5</td>
<td>6.4</td>
<td>20.9</td>
<td>5,782</td>
</tr>
<tr>
<td>1989-91</td>
<td>14.4</td>
<td>8.2</td>
<td>22.6</td>
<td>7,823</td>
</tr>
<tr>
<td>2000-02</td>
<td>14.5</td>
<td>16.9</td>
<td>31.3</td>
<td>12,166</td>
</tr>
</tbody>
</table>

**Percent**

<table>
<thead>
<tr>
<th>Growth rates:¹</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-80</td>
<td>-2.6</td>
<td>12.4</td>
<td>.5</td>
<td>1.4</td>
</tr>
<tr>
<td>1980-90</td>
<td>-.1</td>
<td>2.5</td>
<td>.8</td>
<td>3.1</td>
</tr>
<tr>
<td>1990-2001</td>
<td>0</td>
<td>6.8</td>
<td>3.0</td>
<td>3.7</td>
</tr>
</tbody>
</table>

¹Growth rates between period average centered on years indicated.

Handloom Market Structure
The Handloom Sector

1. 38 lakh looms, providing direct employment to over 124 lakh persons
2. 60% are women, 12% from SC, and 20% from ST
3. Production has fluctuated from 4 billion square meters in 1990 – 91 to 8 billion in 1996-97 to 6 billion again in 2004-05
4. 90% of Production caters to the needs of Indian Consumer
5. Most diversified, flexible and decentralised and the least capital- and energy-requiring livelihood system in India.
Handloom Exports – Continent Wise – Yr 2002 - 03

Continent wise exports from India in Rs

- Africa: 363920
- Asia: 3175
- Europe: 9298916
- Oceania: 591560
- America: 1644119
- America Others: 4437925

Legend:
- Purple: Africa
- Brown: Asia
- Yellow: Europe Union
- Blue: Europe
- Green: America Others
- Purple: America
- Red: Oceania
Year wise value of exports of cotton handlooms

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Madeups</th>
<th>Bedlinen</th>
<th>Tablelinen</th>
<th>Dishcloth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>3269513</td>
<td>583281</td>
<td>3399698</td>
<td>42566</td>
</tr>
<tr>
<td>1996-97</td>
<td>4354826</td>
<td>515808</td>
<td>3692115</td>
<td>60776</td>
</tr>
<tr>
<td>1997-98</td>
<td>4046464</td>
<td>2202509</td>
<td>5046655</td>
<td>82058</td>
</tr>
<tr>
<td>1998-99</td>
<td>5422671</td>
<td>1676924</td>
<td>5190702</td>
<td>97237</td>
</tr>
<tr>
<td>1999-00</td>
<td>6319979</td>
<td>1369123</td>
<td>4150857</td>
<td>143701</td>
</tr>
<tr>
<td>2000-01</td>
<td>6931322</td>
<td>2182136</td>
<td>2454898</td>
<td></td>
</tr>
</tbody>
</table>
1. Tax exemption for produce, low interest loans & rebate on products sold through cooperatives
2. Exclusive Rights to produce 11 items
3. Hank Yarn Obligation (HYO)
4. Market Promotion Program - Financial Support for encouraging participation in exhibitions and meets (Rs 10 Lakhs to Rs 200 Lakhs)
5. Handloom Mark Scheme for creating identity and certification
Gaps in Support

1. Failure to suit to ground realities of a particular region
2. Rebates are encouraging cooperatives to inflate their sales figures
3. Schemes on capacity building were much obsessed with irrelevant skill development rather than education on broader aspects.
4. On Missing Technology
   - Under Developed Pre-loom Technologies
   - Facilities for Local Design Experimentation
   - Accessibility of Technology
   - Standardization of Quality Assurance Systems
Bottlenecks in Handlooms

1. Weavers Share of %Consumer Rupee is only 7 – 10%
2. Disconnect between New Age Consumers and Producers - Lack of Market Intelligence
3. Largest Marketing Network – Cooperatives are Government Delivery Mechanisms – Loss Making
4. Weavers Relegated to Wage Earning & Not as Creative Product Developers
5. Lack of End Product Development Infrastructure
6. Value Addition in Handlooms – Seasons, Blended, Cost Reduction
7. Need for Production – for Changing Lifestyle Needs of Consumers
Andhra Pradesh Handloom Scenario

1. Second Largest Concentration of Handlooms
2. Approx. Rs 750 to Rs 800 Crores - Market Size
3. Nearly 8 to 10 Lakh Weavers
4. Employment
   - 219,100 Full Time Weaving Labour;
   - 33,000 in Part Time;
   - 148,400 in Full-Time Preparatory Work
   - 52,400 in Part Time Preparatory Work
5. Produces both Low-End to High-End Varieties
6. Well-Networked APEX Marketing Body
7. Pochampally, Mangalagiri, Ponduru, Gadwal, Chirala are well-known clusters
8. GI Obtained for Pochampally Weaving Technology
Andhra Pradesh State Handloom Cooperative Society

Yearwise Procurement and Sales by APCO

Rs. in Crores

Procurement
Sales

Yearwise Procurement and Sales by APCO


Procurimento
Sales
1. Annual Turnover - Rs.135 crores
2. APCO’s gross margin is between 12-15% 
3. APCO’s accumulated loss is more than Rs.116 crores. 
4. Key costs of APCO are Rs 12 Cr salaries, Rs 4 Cr trading costs and Rs 4 Cr towards interest.
Key Gaps - APCO’s Performance

- Huge Overheads
- Piled up Stocks.
- Poor Quality Assurance System
- Political Lobbying from Weavers Groups
- Corrupt System among Weavers, Cooperatives and APCO
AP State Policy Priorities

- Encouraging Niche Products – Unique Distinguishable Attributes.
- Secure Markets through Government Departments and Public Sector Undertakings.
- Establishing Common Facility Centers for Natural Dyeing, Testing, Sourcing Market Information and Arranging Buyer Seller Interaction
- Organizing Exposure Visits, Overseas Exhibitions, and Improve Market Awareness
AP State Policy Priorities

1. Measures for IPRs and GIs
2. Setting up Netha Bazaars in all Districts
3. Encouraging National Institutions to establish their outreach centers in all the three regions of the State.
4. Motivating the Public to Patronize Handloom Cloth
5. Motivating the Weavers to Produce the Products as per Modern Market Needs.
6. Upgrading the Marketing Mechanism on Par with Branded Items
8. Raw-material Service Centers - Run on Commercial Lines.
Key Gaps in AP Policies

- Focusing on Needs of Large Middle Class
- Developing Niche is one way of Creating Competitive Advantage
- Not Focusing on Developing Decentralized Value Addition Units
- Regulation of Millers for Supplying Sufficient Yarn
- Measures to Make Handlooms Price Competitive
- Subsidizing Only Temporary Solace
- Investments on Technology Development
Consumer Profiles, Needs & Behaviour
Growing Middle Class

### Growth in Income Groups

<table>
<thead>
<tr>
<th>Consuming Segments</th>
<th>Very Rich</th>
<th>Consuming Class</th>
<th>Climbers</th>
<th>Aspirants</th>
<th>Destitute</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>5.2</td>
<td>76</td>
<td>82</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>2001-02</td>
<td>2.6</td>
<td>46</td>
<td>74.4</td>
<td>33</td>
<td>24</td>
</tr>
<tr>
<td>1995-96</td>
<td>1.2</td>
<td>32.5</td>
<td>54.1</td>
<td>44</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: NCAER
Cotton Handloom % Share

Handlooms purchased as percentage of textiles

<table>
<thead>
<tr>
<th>Percentage of textile</th>
<th>Rural Female</th>
<th>Rural Male</th>
<th>Urban Female</th>
<th>Urban Male</th>
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<tbody>
<tr>
<td>0-10</td>
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<td></td>
<td></td>
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<tr>
<td>11-20</td>
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<td>21-30</td>
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<td>51-60</td>
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<td>61-70</td>
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<td>71-80</td>
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<td>81-90</td>
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<td>91-100</td>
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<tr>
<td>Total</td>
<td></td>
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</table>
Consumption Pattern

1. Majority of consumers in rural and urban consumers are using handlooms very little (less than 30% of their total textile consumption basket).

2. Females are purchasing more handloom material than the males.

3. Possibilities for Future
   - Need for Creating Wider Choices for Men
   - Improving the Utility of Handloom Clothes
   - Providing Wider choices Across Seasons
Purchase Behaviour

1. Rich account for 41.68% of total textile consumption Preferred Price Ranges above Rs 501.

2. Growing Middle Class - Next Decade Opportunity - Price Ranges Rs 250 to Rs 1,000 Account for 51% of the total textile consumption
How consumers identify handloom products - Traders' perspectives

- Shop of purchase
- Look
- Feel/Touch
- Cannot differentiate

0% 20% 40% 60% 80% 100%

- No
- Yes
Consumer Identification of Handlooms

Respondents identification of cotton handloom product

- Shop of purchase
- Look
- Feel/touch
- Cannot differentiate
- Any other

Identification

- Rural con
- Urban Con
- Rural Non con
- Urban Non cons

Graph showing the distribution of respondents' identification methods for cotton handloom products.
Non Consumers Identification Process

Identification of handloom products by non users

- Look
- Feel/Touch
- Shop of purchase
- Any other
- Cannot differentiate

Urban Yes
Urban No
Rural Yes
Rural No