Present scenario of Indian carpet industry vis-a-vis international markets

Shishir Tyagi

Wool Research Association, Thane

The Indian carpet industry during the post-independence era has witnessed an export-led growth. The prospect of carpet industry is very much dependent on the exports. Export prospects of carpets basically depend on overseas demand and domestic supply potential. In this paper, an attempt is made to identify the major issues of Indian carpet industry and India's supply potential for hand made carpet exports.

1. Carpet industry- an overview

The carpet industry in India is an age-old, well established decentralised sector, employing over 2 million rural workers, and who are mostly non-agricultural rural populace. Indian carpet is an export oriented item & above 90% of its production being exported. The industry has made rapid strides during the post-independence era especially during and after 70s in the wake of overseas demand which stimulated carpet production and exports. As a result, exports which were worth around 3 crore in 1947-48 and 11 crore in 1970-71 registered manifold increase and exceeded Rs 3,600 crore in 2006-07. But after 2007-08 there is a sharp decline in export due to worldwide economic recession.

Indian carpet has a special place particularly in the heart of the people in the developed countries which absorb 88-90% of Indian carpet exports. USA and Germany, the two largest and established markets for carpets together account for 76% of India's exports. The other developed countries and only a few developing countries account for the rest of the part. The carpet industry is basically both export-oriented and labour intensive. Apart from earning foreign exchange, the industry provides employment to a large number of people mostly in rural areas and helps in generating supplementary income for their families.

2. Global market for carpets

Global imports of floor covering averaged US$9 billion during 1991-93 including US$2.2 billion worth of imports of woollen knotted carpets which shared nearly 26 percent of the global imports of floor covering. Although the world market for floor coverings is dominated by synthetic and tufted carpets, the world imports of knotted carpets including carpet of wool seems to be sizeable and growing steadily.

Top importing countries or areas in 1993

Rank	Country or area	World share%	Cummilative World share%
1	Germany	43	43
2	USA	12	55
3	Japan	8	63
4	Italy	6	69
5	Switzerland	5	74
6	United Kingdom	4	78
7	Austria	4	82
8	Belgium-luxemberg	2	84
9	Sweden	1.5	85.5
10	Australia	1	86.5

From the above table it is clear that Germany continues to be biggest carpet importer following by USA and Japan in 1993

Top importing countries or areas in 2009

Rank	Country or area	World share%	Cummilative World share%
1	USA	14.9	14.9
2	Germany	11.5	26.4
3	United kingdom	10.3	36.7
4	Canada	6.5	43.2
5	France	4.9	48.1
6	Japan	4.7	52.8
7	Netherlands	3.4	56.2
8	Australia	2.5	58.7
9	Italy	2.2	60.9
10	Belgium	2.1	63.0
11	Poland	2.0	65.0
12	Switzerland	1.9	66.9
13	Austria	1.9	68.7
14	Czech republic	1.7	70.5
15	Sweden	1.7	72.1

Source: UN Comtrade

In present scenario USA and Germany still continues to hold their top position in the table of 2009, but good point is that some other countries also included into the table at top positions, which indicates that market is now globalised and new horizons in carpet exports in different countries are opening up, which shows new trends in carpet consumption and potential of different countries to be a big market in the future.

Marketwise, the German market is dominated by the demand for low to medium quality (Persian as well as Nepali) carpets in the proportion of 40:50 and demand for high quality carpets is reportedly shrinking. In the low quality (with carpets under 50 knots per sq. inch) segment, the German market is dominated by Nepal followed by India, while the medium quality carpet (with carpets between 50 and 300 knots per sq. inch) segment, Iran dominates with a substantial share followed by India. The carpet market in USA, on the other hand, is dominated by medium to high quality segments in the proportion to 60:20, where India dominates followed by china, Pakistan and others in absence of Iranian carpets. In view of this, Indian carpet industry , in general ,is facing tough competition from iran,china,Nepal and Pakistan.

3. Major issues of the carpet industry

Against the background of rising world demand and India's promising export potential of carpets, the major issues of concern for carpet industry and trade which are creating or likely to create major impediments to export growth are broadly as follows-

1) Lack of reforms in the production system hampering productivity, organised production and supply of carpets.
2) Shortage of carpet grade wool - Indian carpet industry imports a large quantity of wool, prices of which increased substantially in the recent years. However, due to increased competition it is not possible to pass it onto the final prices.
3) Raw material prices of wool, woollen yarn, cotton yarn shot upto by 50% in last few years.
4) Shortage of skilled carpet weavers- Due to lack of skilled labour, the labour cost are surging. There is an urgent need of training of weavers to fill the gap caused by NREGA. Another fact is that the new generation is not keen to learn carpet weaving techniques. If sufficient efforts are not made then in coming years carpet weaving will face the threat of weavers extinction.
5) Lack of modern production facilities particularly dyeing, washing,processing,designing etc.
6) Upgrading and maintaining carpet quality- since carpet is not a full time job, most of the labour involve in carpet weaving is unskilled and primarily depend on agriculture, so they don't know the importance of quality of a carpet and don't give much attention to quality aspect.
7) Indian Carpet industry is getting a intensified competition from the major carpet producing countries viz. Iran, Pakistan etc. This situation becomes even grimmer as the

currency exchange rates of these countries are under-values Vis-a-Vis US Dollar than Indian Rupee which is stronger Vis-a-vis US Dollar, making Indian carpets less competitive compared to Iranian carpets.

8) The need of hour is to initiate some R&D actitvities in terms of material and machine development
9) Reduce Paleness and odour problem in latexing by usage of polymer sheets in the process of latexing
10) Cost reduction measures without compromising with quality of carpet-like usage of primary cloth (Non-woven backing material),usage of polymer sheets in the process of latexing, care instructions on the usage of carpet to the buyers / Importers
11) Organizing training programmes for the masters in latexing process to counter the odour and backing problems
12) Lessening the corrosive and hazardous chemicals in carpet washing by adopting herbal washing.
13) Facilitate adequate infrastructure, communication channels for marketing, proper finance assistance to Indian exporters for the quantitative and qualitative improvement of Indian carpet industry.
14) Problems due to decentralised and unorganised sector(lack of management)
15) Search for new potential domestic and international market.

4. Points for consideration- There are some points that are worth noted for consideration for improvements.

1) At present looms are scattered in the villages and there is no such production time on a particular loom for a particular quality of carpet but if the looms are installed in shed under the campus then not only it will improve productivity but also help to monitor and plan the production and keeping the secrecy of design, and finally may encourage the female weavers to participate in the trade.
2) There is shortage of Indian carpet grade wool (like chokla, Patanwadi), and the average diameter of presently available carpet grade wool is getting coarser day by day ,hence it is important not only to increase wool production but also maintain wool quality. For this purpose breed improvement through selective breeding should be done. There are some CWDB schemes (like SWIS) in which genetically improvement of sheep through adopting modern scientific practises.

3) Quality consistency is essential to remain competitive in the overseas market which can be maintained by use of required quality wool, proper blend proposition, weaving by the skilled weaver and improved processing, finishing etc.
4) There is a huge shortage of carpet weavers (especially for hand-knotted carpet) as most of the weavers shifted to NREGA scheme which is providing more wages per day. So skill development programs should run more rapidly by government agencies and exporters should think of welfare of weavers to mitigate the migration.
5) Emphasis should be given on the R&D activities in terms of raw material, machine development/modification or process development/modification.

   Like in process development, presently we are using corrosive chemicals in carpet washing; which produce a bad impact on the carpet. Inspite of this chemical washing, we can go for herbal washing. the carpet will be ecofriendly and less hazardous to health of user.WRA has taken the initiative and done some work in herbal washing of carpets. Also in recent years, IICT has developed a carpet backing machine, Horizontal Bar Cross Loom and non-woven primary backing cloth to lower down the price of carpet without compromising with quality of carpet. IIT-Delhi has developed process of carpet washing through machine inspite of manually by harrows. Incorporating these developments will not only increase the productivity but also will upgrade the quality. Thus the final product will be cheaper.
6) To rescue the Indian carpet industry from the ongoing crisis, the government need to undertake important initiatives and introduce the tax exemptions on a long term basis at least till carpet industries make full recovery and back on track.
7) Financial institution can help by providing adequate finances to carpet industries for technology updradation and put low interest rate on export finance in order to help in revive the carpet industry.

5. Conclusion: At present carpet industry is passing through its tough time, especially the hand knotted carpet sector. Nothing is going in its way, on the one side, carpet industry is still reviving from the recession blow and on the other side industry is facing a huge depreciation in skilled weavers in order to complete the export order in time. Cost of production has increased, but buyers want the carpet at old prices. Indian rupee is getting stronger vis a vis US dollar, the countries like Iran is getting tougher and tougher in competition. In this crisis government agencies and financial institution should take forward steps to revive and boost the carpet industry.