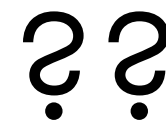


# **GLOBAL CHALLENGES & OPPORTUNITIES FOR INDIAN COTTON**

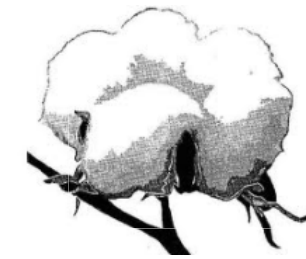
**GILL & COMPANY PVT. LTD.**



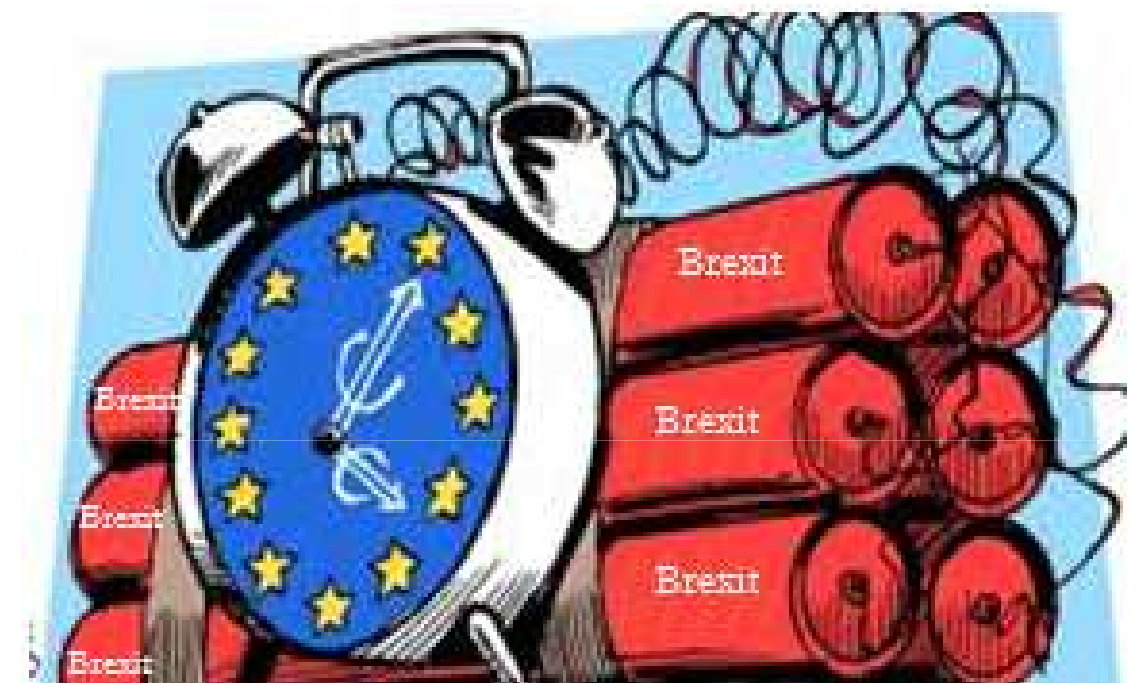
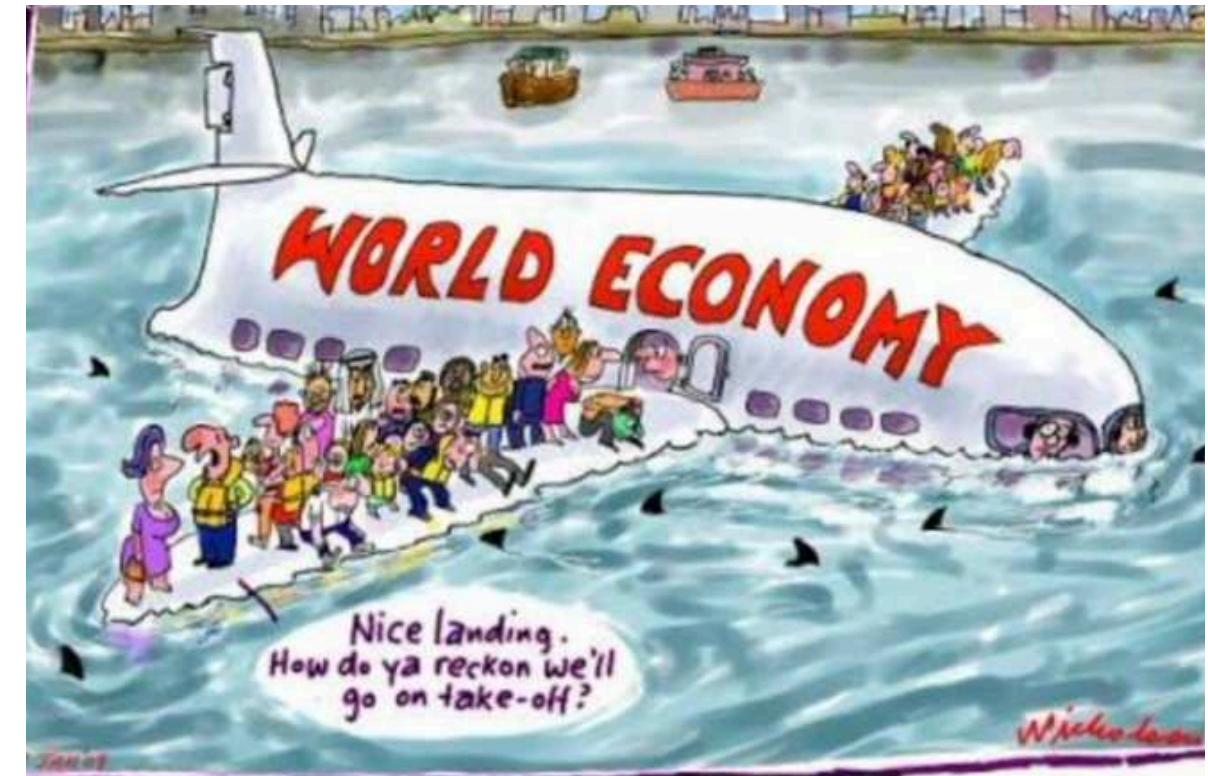
**7<sup>th</sup> March 2019**



# Macro Economic Uncertainty



**WORLD  
COTTON  
PRICES,  
SUPPLY  
&  
DEMAND  
STUCK IN  
THE  
MIDDLE**





## Weakening Global Expansion Amid Growing Risks

- Global growth in 2018 close to post crisis highs, global expansion weakening, IMF projects global growth at 3.5 % in 2019.
- US expansion continues, forecast remains for deceleration & unwinding of fiscal stimulus. advanced economies, foresee growth of 2% in 2019.
- Risks for downward corrections rising – led by trade tensions, tightening financial conditions; Trade and investment slowing, does not mean staring major down turn.

## Contd.

- Downwards forecasts mainly due to Euro area adding headwinds to growth. Brexit cliffhanger continues.
- Emerging economies growth projected at 4.5 % in 2019 headwinds from weaker capital flows following higher US policy rates & exchange rate depreciations, Although become less extreme.
- China's growth slowdown could be faster if trade tensions continue, can trigger abrupt sell-offs in financial and commodity markets.

# India Macro Economic Factors

- Still World's fastest growing economy but growth slowing – tight financial conditions exacerbated by continuing effects of demonetization, and GST bottlenecks.
- Tight credit conditions constraining economic growth and straining balance sheets.
- Lower inflation expectations likely to lead to lower interest rates.
- National elections around the corner – key to policy stability and much needed reforms.
- Crude – any price increase detrimental to growth and currency stability.
- Weakening global capital flows a matter of concern.
- Normal monsoons critical for India for agriculture growth, domestic consumption and lower inflation.
- Much needed policy boost required for job growth and manufacturing sector.

FIBER CONSUMPTION

GLOBALLY ITS BEEN A **BRAWL!**



**COTTON** AGAINST

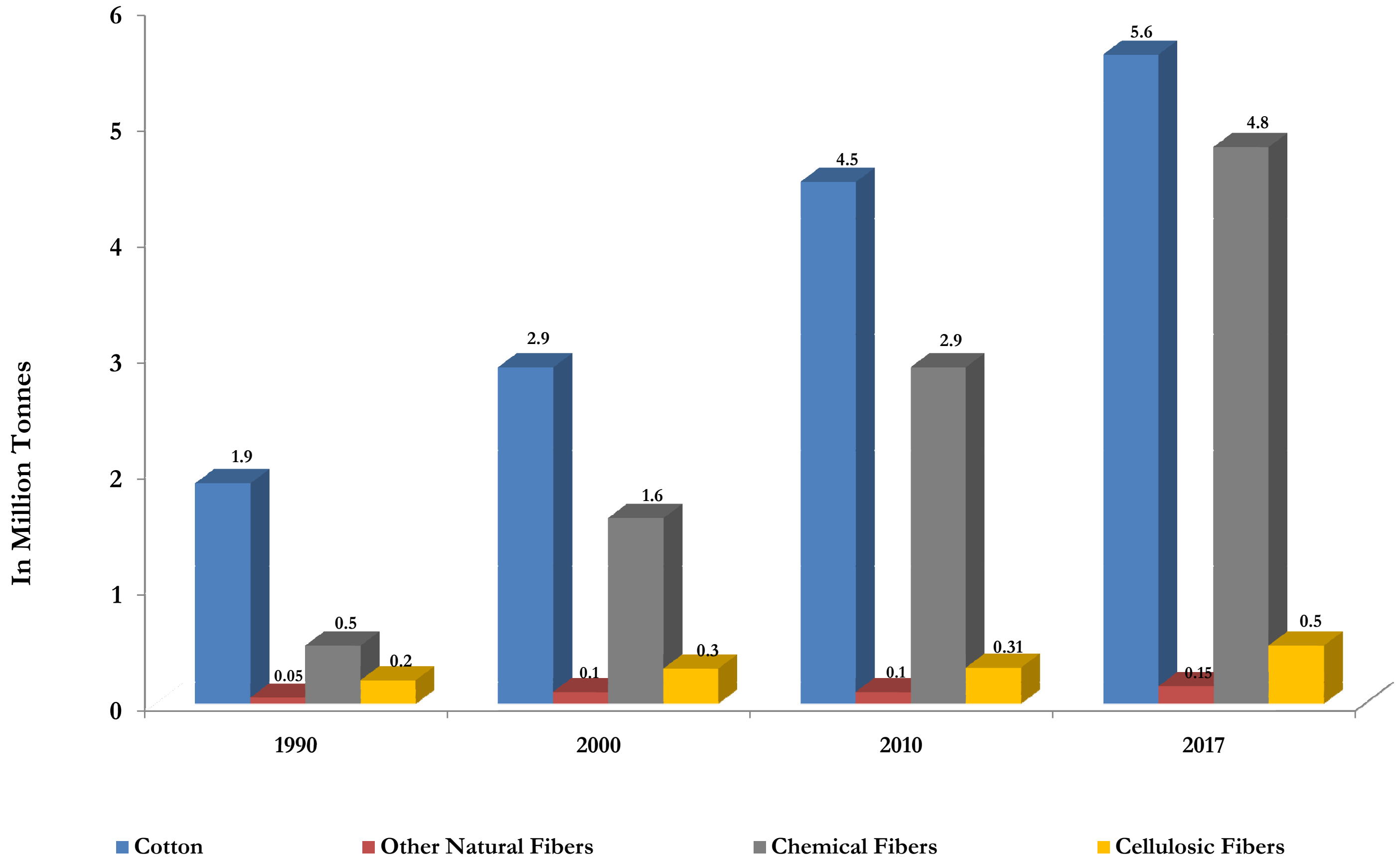
**COTTON** AGAINST

**SYNTHETICS**

AGAINST **TEXTILES**

ETC.

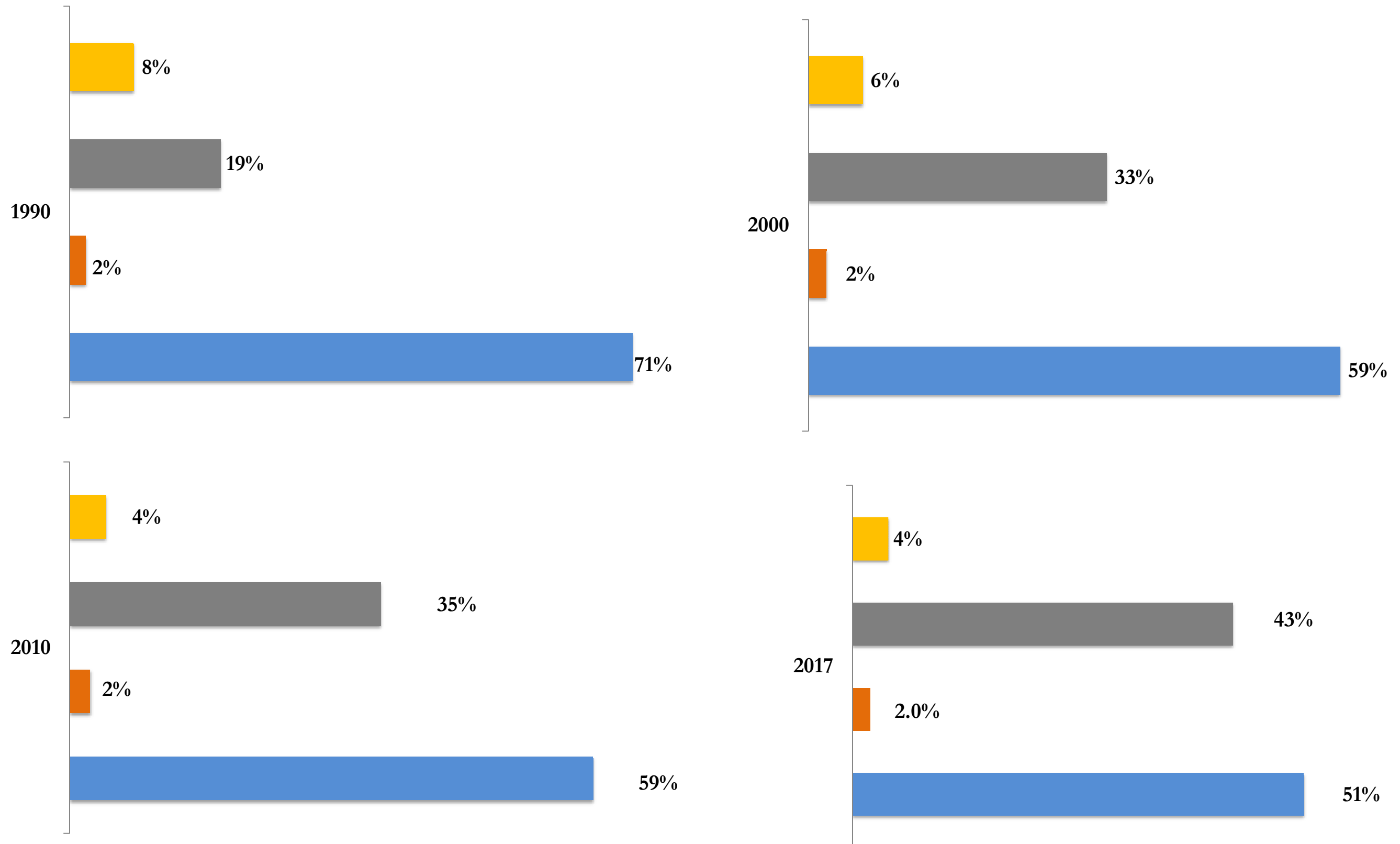
# India Fiber Consumption Trend



Source : Fiber Year Book & Internal



# % Share of Different Fibers in Indian Fiber Consumption

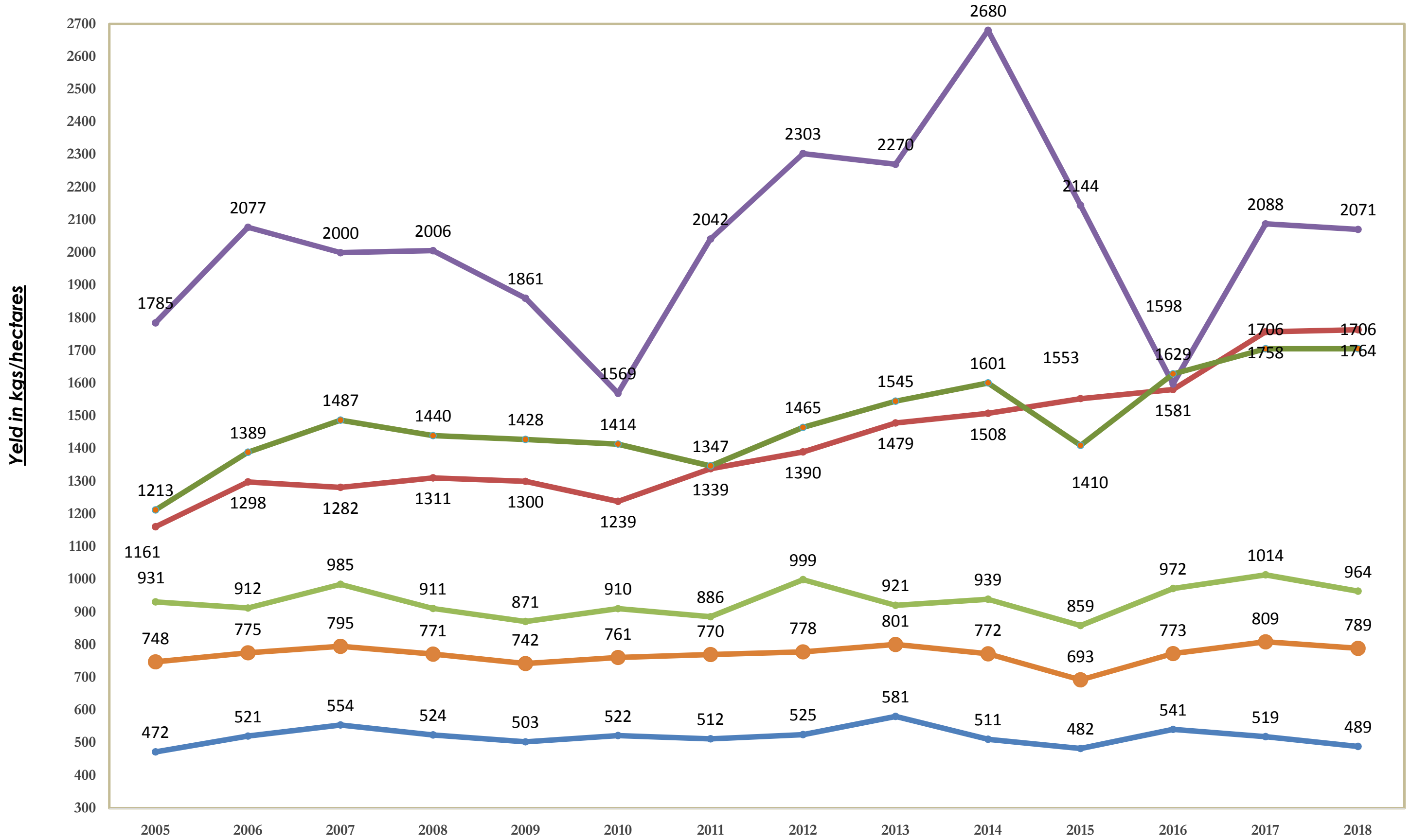


Source : Fiber Year Book & Internal

■ Cellulosic Fibers ■ Chemical Fibers ■ Other Natural Fibers ■ Cotton

- Although cotton % share better MMF rising.
- In absolute terms, cotton consumption increasing but its share in the total fiber/filament basket declining.
- Of course (happily) cotton has done much better over the past year.
- Cotton increasingly facing competition from artificial fibres, notably polyester.
- Viscose fiber capacities also increasing.
- Continued breakthroughs in MMF performance with little to no response from cotton.
- Prices of MMF have been relatively less volatile than cotton.
- Productivity of manufacturing units higher when MMF blended with cotton.
- Easy and adequate availability of MMF all year round.

# Country Wise Yield Comparison



Source: ICAC

India China USA Australia Brazil World

# Cotton Yield Struggles

- Although yields increased over a decade, but long-term trend worrisome.
- Still well below world average.
- We can blame weather or blame inter-crop competition.
- But assigning blame misses the point need to identify what's going on in the farm.
- Predominance of rain-fed area major hindrance.
- Almost 60% of area rain-fed exposing productivity to monsoon vagaries.
- Lack of irrigation facilities BUT Tremendous Scope to increase.
- High Density planting system needed to achieve higher yields.
- Need better seeds to address both Quality/Yield.
- Joint efforts & research involving private & public sector needed to find quick solution.
- To meet current demand & address demand growth for the future value chain.



**And yes, the Indian bale does sell..**

**But, it's good to see the mirror some times**



And there are  
some concerns...

# Indian Cotton - Positives

- Hand Picked, Spinning value better due to manual harvesting, gentle processing minimizes damage to fiber.
- Less Short fibers & Neps formation as Roller Ginning.
- Only Country producing all kinds of cotton for spinning with a wide range of counts from 10s to 100s.
- Improvement seen in Ginning process.
- Improvement in level of contamination.
- Geographical proximity advantageous in transit cost and time.

# Indian Cotton-Challenges

1. Continuous Improvement in ginning.
2. Bale Identification System & data management.
3. High Moisture Content.
4. Improve Bale Packaging.
5. Branding of Indian Cotton.
6. High inland costs.
7. Problem of admixtures: Makes grading & testing difficult. Mills compelled to engage expensive bale management to maintain yarn quality.
8. Contamination levels twin problem – Discounted value for supply chain & textile industry keeps discounting to other origins.





BUT, I DO HAVE A  
WORRY...



**LET'S TAKE A  
CLOSER  
LOOK...**



**VALUE  
2011**



**VALUE  
2015**



**VALUE  
2019**



- Globally demand / Preference increasing for High Grade Machine picked contamination free cotton.
- Indian Bale competes with such origins US / Brazilian / Australian in export market.
- Perceptions do vary But over years seen value of Indian Bale erode.
- Basis levels and comparative spreads widening between Indian and other Origins.
- Value than 

Value than	Value now
3 cent discount to US	5 to 6 cents to US
2 cent discount to Brazilian	3 to 4 cents to Brazilian
Par to WAF	2 to 4 cents to WAF
- As Indian Textile Industry maturing.
- Seeing a shift to these cottons paying similar premium to above origins during buying decisions.
- Similar to what we see in the export Market today.
- Other origins working hard to improve fiber characteristics, we are going backwards as our parameters are deteriorating.
- The issues plaguing us 10 years back still continue to haunt us.

**THANK YOU**