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# Cotton Statistics And News

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## **World Cotton Prices May Harden Slightly in 2009-10 - ICAC Forecast**

Compared to 2008-09, world cotton production will be marginally down in 2009-10 and consumption may be slightly up, leading to some erosion in the ending stock. There may be a marginal increase in world cotton trade and the world cotton prices may see some hardening consequent mainly on the slight depletion of ending stock and the slightly higher imports by China. This appears to be the broad world cotton scenario during 2009-10, going by the October 1 release of the International Cotton Advisory Committee (ICAC).

ICAC has estimated the world cotton area to show a small drop to 30.13 million hectares in 2009-10 from 30.67 million hectares in 2008-09. The fall is expected to be mainly in China while India, US and Pakistan are expected to bring larger area under cotton in 2009-10. The drop in area is expected to be partially offset by a marginal increase in productivity from 763 kg per hectare in 2008-09 to 767 kg per hectare in 2009-10. Thus, there may be only a slight one per cent fall in world cotton production during 2009-10 to 23.11 million tonnes (mt) from 23.40 mt in 2008-09. While production is projected to be higher in India, US, Pakistan and Australia, it may be lower in China and Brazil. Asia is expected to further raise its share in world cotton production to 64 per cent in 2009-10 from 59 per cent in 2008-09.

Based on a small recovery in world economic growth, ICAC expects world cotton mill use to move up by two per cent to 23.62 mt in 2009-10 from 23.10 mt in 2008-09. After declines in 2008-09, consumption in the top three countries of China, India and Pakistan is forecast to start recovering in 2009-10. Mill use is expected to go up in smaller Asian consuming countries also, including

Bangladesh and Vietnam, where it has been rising even in 2008-09 despite the world economic crisis. However, further declines in mill use are forecast in a number of countries in Europe, the Americas and East Asia.

World cotton trade has been forecast by ICAC to be slightly higher at 6.85 mt in 2009-10 as against 6.51 mt in 2008-09, with Chinese imports going up to 1.65 mt from last year's 1.52 mt. It is stated that Chinese Government has continued to auction cotton from its reserve. During the first two months of the current season, it reportedly sold 600,000 tonnes. In addition to the customary import quota of 894,000 tonnes released in January 2009, China is stated to have released import quota of 400,000 tonnes in July this year. Besides China, imports by other countries like Pakistan, Turkey, Bangladesh, Thailand and Vietnam are also expected to be higher in 2009-10. In the case of exports, while ICAC foresees a fall of 20 per cent to 2.3 mt by US, exports from India are projected to rebound to 1.4 mt in 2009-10. Exports from Uzbekistan and Australia are also expected to increase significantly.

In contrast to the behaviour in 2008-09, world cotton prices remained in a relatively narrow range during the first two months (August and September) of the current season. The Cotlook A Index fluctuated between 62.05 US Cents (USC) and 66.55 USC per pound during the two months. It is stated that the weakening of the US dollar and speculative purchases might have contributed to maintain cotton prices firm during this period. Based on a lower stocks-to-mill use ratio in the World-less-China, ICAC has forecast a season-average Cotlook A Index of 64 USC in 2009-10, a 4.7 per cent increase from the 2008-09 average of 61.2 USC.

## Cotton Production and Mill Use on the Decline in US

A perusal of the data published by the International Cotton Advisory Committee (ICAC) reveals that cotton production and mill use have been on the decline in US in recent years. However, the average yield per hectare has been maintaining an uptrend although area has been falling during the last 3 or 4 years. Exports remained without much change but were lower since 2006-07. The relevant data as published by the ICAC are given in the table.

significantly higher from 2004-05 compared to previous years.

Consequent to the shrinkage in US textile industry, resulting mainly from the stiff competition from countries like China in the world textile market, cotton mill use has been steadily declining in US since 2005-06 and the drop was more marked from 2006-07. US managed to maintain raw cotton exports at high levels apparently due to the surplus resulting

Year	Area (000 ha)	Yield (Kg/ha)	Production	Mill Use (000 tonnes)	Exports
2000-01	5282	708	3742	1929	1467
2001-02	5596	790	4420	1676	2395
2002-03	5025	746	3747	1583	2591
2003-04	4858	818	3975	1364	2995
2004-05	5284	958	5062	1457	3143
2005-06	5586	931	5201	1278	3821
2006-07	5152	912	4700	1074	2833
2007-08	4245	985	4182	999	2973
2008-09	3063	911	2790	773	2765
2009-10	3192	930	2969	750	2390

It will be seen that area registered a precipitous fall from 2007-08 as, according to reports, cotton lost some of its competitive edge with other crops and farmers prefer to go in for the latter. Production was well maintained or moved up till 2005-06 but started declining from 2006-07, and there was a precipitous fall during the last two years mainly because of the steep fall in area although productivity was maintained almost at the previous levels. In fact, productivity has been

from the fall in domestic use of cotton by the industry. However, there has been a decline in exports also during the last four years. China has been the main customer of US cotton and out of the total Chinese imports, 64 per cent was from US during 2008-09. India was also giving competition to US cotton during 2007-08. China's annual imports are regulated according to the domestic demand-supply position and keeping in view that imports do not go against the basic interests of its cotton farmers.

## Cotton Trade Channels Disrupted - President, SICA

The President of South India Cotton Association (SICA) is quoted to have recently stated that the cotton trade channels in India, comprising farmer, ginner, trader, broker and the mill have been totally disrupted due to some recent developments.

The foremost of these is said to be the entry of multinationals into the domestic cotton trade who bought large quantities from the market and sold

to the mills on spot terms. They had the backing of large amount of finances at low interest rates of three to five percent. This has led to hardship to local traders some of whom were facing the possibility of closing down. He is stated to have suggested that government should regulate the role of multinationals to bring in greater transparency in their business activities and be supplemental to the growth and development of local trade which provides jobs to lakhs.

## Cotton Procurement this Year May Touch Last Year's Level in Maharashtra - Report

According to a recent report, cotton procurement by designated agencies in Maharashtra this year is likely to touch last year's level. It will be recalled that in 2008-09, the unprecedented hike of 40 percent in minimum support prices (MSP) forced the two designated State agencies, viz, Cotton Corporation of India (CCI) and the National Agricultural Cooperative Marketing Federation (NAFED) to undertake massive procurement operation in all States including Maharashtra. Between the two, they mopped up around 45 percent of the total market arrivals of some 290 lakh bales. The bulk of the procurement was by CCI in most of the States except Maharashtra.

The total procurement in Maharashtra during 2008-09 was 55 lakh bales, with NAFED buying 35 lakh bales and CCI 20 lakh bales. The balance of about 10 lakh bales was traded in the open market. In contrast, during 2007-08, the Maharashtra State Cooperative Cotton Growers Marketing Federation, working as the nodal agency for NAFED procured only 76,470 bales, as per report. In 2008-09, the situation drastically

changed owing to the high MSP which was above the ruling market price.

The MSP has been retained at the same high level of Rs.2,850 for fair average quality and Rs.3,000 for the superior quality cotton. Hence, it is believed that this year also, CCI and NAFED may have to go in for large scale procurement. The crop in Maharashtra this year is said to be better than last year in major tracts like Vidarbha. The expectation in trade circles is that if there is sufficient rain, production may touch 75 lakh bales. In the case of the early sown irrigated crop in tracts like Khandesh, market arrivals have commenced in small quantities of about 2000 quintals a day. Private traders are said to be buying the cotton at Rs.2700-2800 per qtl. In the case of other zones, it will take two to three weeks more for arrivals to commence in any sizable quantity. Some CCI officials are quoted to have stated that currently, the moisture level is about 15 to 20 percent whereas the prescribed level for procurement is about 8 percent, although cotton with moisture upto 12 percent is also bought to help the farmers.

## Cost Advantage for India in Cotton Yarn and Fabric Production - ITMF

According to the data compiled and published by the International Textile Manufacturers Federation (ITMF), India enjoys a cost advantage in the manufacture of cotton yarn and fabrics compared to countries like China and US. India's cotton yarn production cost is estimated to be \$ 2.13 per kg as against \$ 2.89 per kg in China and \$ 2.81 kg in US. Similarly, the estimated cost of manufacture of woven cotton fabrics in India is \$ 0.62 per metre compared to \$ 0.74 in China. Only Pakistan is stated to have a production cost parity with India. India's competitive edge in production cost can get a further boost if the cost of power is reduced. The present high cost of electricity has been a major grouse of the textile industry.

With the major breakthrough in India's cotton production in recent years, Indian textile industry has been able to rely mostly on home grown cotton for meeting its rising requirements. Imports are now restricted to about 8 lakh bales of extralong staple

cotton only. The share of cotton in the industry's total fibre intake was around 62 per cent in the early 1990's. However, with the indigenous manufacturing capacity of synthetic fibres rapidly expanding since then, cotton's share declined and was around 39 per cent only in 2001, as it had to yield more and more ground to the cheaper and more durable man-made fibres. However, mid-2000s saw a reversal of this trend as consumer preference turned to cotton because of its weaving comfort, moisture absorption and other advantages. Gradually, cotton required some of its lost ground and took an equal share with man-made fibres. According to Centre's estimates, cotton's share is set to touch 60 per cent.

With plentiful supply of home grown cotton and the cost advantage in cotton yarn and fabric manufacture, India has the potential to be a leading player in the world markets of cotton yarn and fabrics, provided domestic cotton prices are maintained in parity with international prices.



*Wishing our readers  
A Happy Diwali & Prosperous New Year*



## S N I P P E T S

Rabobank Foundation is reported to have announced assistance of Rs. One crore to the Agriculture and Organic Farming Group (AOFG) over the next three years in recognition of its work with farmer owned partner company, Zameen Organic. AOFG India is a network organisation consisting of farmer associations and grass root development and community organisations. It helped to set up Zameen Organic in 2006 to improve access to markets for small and marginal farmers. The support now announced by Rabobank Foundation is expected to further promote organic cotton cultivation in the country.



Merchandise exports from India continued to fall in August also, the 11th month in a row when exports have been declining. However, the one encouraging feature is said to be that the decline has become less steep at 19.4 per cent in August compared to about 30 per cent earlier.

According to official data, exports during August are placed at \$ 14.28 billion, a decline of 19.4 per cent compared to exports in August last year. The total overseas shipments during the five-month period during April-August during the current fiscal are placed at \$ 64.12 billion, a 32 per cent drop from exports worth \$ 92.95 billion during the corresponding period of 2008-09. The financial crisis has affected the global market and the exporters have been experiencing a shrinkage in demand from October last year.

Thanks to the sharp fall in crude oil prices, India's merchandise imports are stated to have shown a 32.4 per cent decline in August to \$ 22.66 billion compared to \$ 30 billion in August last year. Consequent to the fall in imports, the country's trade deficit is stated to have narrowed to \$ 8.37 billion as against \$ 15.78 billion during the same period last year.



### UPCOUNTRY SPOT RATES

(Rs./Candy)

Official quotations for standard descriptions with basic grade and staple in Millimetres based on Upper Half mean Length under By-law 66 (A)(a)(4)					SPOT RATES ( UPCOUNTRY) 2008-09 CROP					
					October 2009					
					10th	12th	13th	14th	15th	16th
01.	ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0 15		-		-	-	-
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0 15	H	-	H	-	-	-
03.	ICS-102	22mm	V-797	4.5-5.9 19		18000		18000	18000	18100
04.	ICS-103	23mm	Jayadhar	4.0-5.5 19	O	18000	O	18000	18000	18100
05.	ICS-104	24mm	Y-1	4.0-5.5 20		21200		21200	21200	21300
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9 23		-		-	-	-
07.	ICS-105	25mm	NHH-44	3.5-4.9 22	L	20900	L	20900	20900	21000
08.	ICS-105	27mm	LRA-5166	3.5-4.9 24		21100		21100	21100	21200
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9 25	I	21500	I	21700	21700	21800
10.	ICS-105	29mm	S-6	3.5-4.9 26		-		-	-	-
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27	D	-	D	-	-	-
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5 28		23700		23700	23700	23700
13.	ICS-107	35mm	DCH-32	2.8-3.6 31	A	32900	A	32900	32900	32900
14.	ICS-301	26mm	ICC	3.7-4.3 25		22200		22200	22200	22300
2009-10 CROP										
01.	ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0 15	Y	21700	Y	22600	22600	22800
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0 15		22200		23000	23000	23200
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9 23		21300		21300	21500	21600
10.	ICS-105	29mm	S-6	3.5-4.9 26		22700		23000	23000	23200
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27		22900		22900	22900	23000