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# Cotton Statistics And News

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## **Update on World Cotton**

The International Cotton Advisory Committee (ICAC), in its latest release of November 2, has made a downward revision of its estimate of world cotton production in 2009-10. The world crop is now projected at 22.3 million tonnes (mt), 800,000 tonnes less than the last estimate and almost 5 per cent lower than in 2008-09. The lower production is a consequence of a one per cent fall in area to 30.4 million hectares and a 4 per cent decline in yield to 734 per kg.

The main fall in production is expected in China whose crop is now placed at 6.75 mt compared to 8.03 mt in 2008-09. This is said to be due to a significant fall in area resulting from lower seed cotton prices received by farmers last season, a yield drop this season caused by unfavourable weather in a number of large producing regions, and possible labour shortages during harvest. On the other hand, production in India is projected to rise to a record 5.3 mt, 8 per cent higher than in 2008-09. The increase is attributed to a significant expansion in planted area resulting from higher support prices in 2008-09. While the share of Chinese crop in world output is expected to drop from 34 per cent to 30 per cent, that of India is projected to increase from 21 per cent to 24 per cent, with the combined share of the two countries being retained almost at the previous level of 54 per cent. No significant change in Pakistan crop is expected which may be at 2.0 mt.

ICAC expects world cotton mill use to recover by 2 per cent to 23.6 mt in 2009-10, driven by the global economic rebound. Asia is expected to be the main engine of growth in cotton spinning this season, with a projected increase of 620,000 tonnes to 18.3 mt. The share of Asia in world cotton mill use could rise from 76 per

cent in 2008-09 to 77 per cent in 2009-10, it is stated.

Coming to imports, ICAC states that the decline in the forecast size of the Chinese crop combined with a late harvest, caused Chinese cotton prices to strengthen considerably in October. The Chinese Government has continued to auction cotton from the reserves in order to stabilise market prices. Since August, the Government is stated to have sold around 300,000 tonnes of cotton per month to Chinese mills. Since May 2009, a total of 2.1 mt of reserve cotton has been released. The gap between cotton mill use and Chinese production is expected to reach 2.5 mt in 2009-10. ICAC expects Chinese imports to rise by 18 per cent to 1.8 mt, as against 1.52 mt last year, while the remainder of the gap may be filled by sales from Government reserve. The Chinese imports will ultimately depend on Government decision regarding import quotas and reserve management.

World exports are projected up by 8 per cent to 7.0 mt as against 6.55 mt last year. Exports from India, it is stated, could rebound to 1.4 mt, driven by a large exportable surplus, whereas US exports could decrease by 18 per cent to 2.4 mt and exports from Brazil may decline by 40 per cent to 360,000 tonnes. Significant increase in exports is forecast in the case of Uzbekistan and Australia.

Coming to world cotton prices, ICAC states that Cotlook A Index increased almost continuously from 64 USC per pound on October 1 to 69 USC per pound on October 30. Based on a lower stocks-to-mill use ratio in the world-less-China, ICAC has forecast a season-average Cotlook A Index of 67 USC per pound in 2009-10, which would mean a 9 per cent increase from the 2008-09 average of 61.2 USC per pound.

## Surge in Global Yarn and Fabric Production

There has been a surge in the global production of yarn and fabrics during the second quarter of this year. This is reported to have been revealed by the latest global statistics released by the International Textile Manufacturers Federation (ITMF). The surge is stated to have been driven by Asia in general and China in particular.

The rise in world yarn production during April-June 2009 is reported to have been as high as 22.4 per cent compared to the previous quarter from January to March. This is significant in the light of the fact that global yarn production has been falling continuously since the second quarter of 2007. All regions are stated to have recorded increases in production, especially South America with 44.9 per cent, Asia with 23.3 per cent, Europe with 2.2 per cent and North America with 1.5 per cent. However, in comparison to the production during the second quarter of last year, only South America and Asia seem to have recorded increases, 1.9 per cent in the former and 1.0 per cent in the latter region, whereas production in North America and Europe was still considerably lower than last year's level by 25.2 per cent and 15.3 per cent respectively.

Global yarn inventories are stated to have been down by 3 per cent during the 2nd quarter of 2009 as compared to the first quarter. The stocks appear to have plummeted by 15.3 per cent in South America and were down by 3.4 per cent in Asia. However, they remained stable in Europe and North America. On an annual basis, yarn stocks were lower by 1.3 per cent at the global level during the second quarter of 2009 with South

America and Asia witnessing a drop of 6.1 per cent and 1.7 per cent respectively. A marginal increase of 0.7 per cent is reported in Europe.

Yarn orders during the second quarter of this year are stated to have risen slightly in Europe by 2.4 per cent and strongly in Brazil by 12 per cent. On an annual basis, however, yarn orders are stated to have been considerably down by 10.4 per cent in Europe although they jumped by 25.3 per cent in Brazil.

In the case of fabric production, the increase at the global level during the second quarter is stated to have been 14.4 per cent in comparison with the first quarter. Unlike yarn production, the increase was continued to Asia with 16.7 per cent and 7.8 per cent in North America while it fell marginally by 0.4 per cent in Europe and by 0.6 per cent in South America.

Going by the ITMF data, it would appear that globally the textile industry is showing signs of a slow recovery from the recessionary trend.



## TUFS Helps Mills to be More Competitive - Textiles Minister

It is reported that under the Technology Upgradation Fund Scheme (TUFS), which came into operation on 1st April 1999, a total amount of Rs. 66,275 crore has been disbursed as interest subsidy until June 30, 2009. The Union Textile Minister has claimed that this has helped the textile mills to modernise and be more competitive at the global level. In addition to the disbursement of interest subsidy, TUFS is reported to have stimulated additional investments of Rs. 1,79,834 crore benefiting 25,809 textile units including 18,266 small units.

The Scheme has enabled the textile industry to

face global challenges successfully, reduced the cost of capital for acquisition of technology by 5 per cent, triggered the growth of processing, garmenting and technical textile sectors by extending 10 per cent capital subsidy, assisted powerloom units by extending 20 per cent margin money subsidy, and empowered the small scale sector with 15 per cent capital subsidy. Further, according to the Textiles Minister, the entire textile value chain from cotton ginning and processing till the clothing/made-up stage has benefited under TUFS and the composite upgradation of spinning, processing and weaving segments of textiles chain are the major beneficiaries of TUFS.

## SUPPLY AND DISTRIBUTION OF COTTON

### November, 2 2009

	Years Beginning August 1				Million Metric Tons	
	2005/06	2006/07	2007/08	2008/09Est	2009/10Proj.	2010/11proj.
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>11.584</b>	<b>12.262</b>	<b>12.684</b>	<b>12.084</b>	12.42	11.16
China(Mainland)	2.622	3.991	3.653	3.321	3.85	3.11
USA	1.196	1.321	2.064	2.187	<b>1.38</b>	<b>1.09</b>
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>25.639</b>	<b>26.752</b>	<b>26.030</b>	<b>23.406</b>	<b>22.34</b>	<b>23.90</b>
China (Mainland)	6.616	7.975	8.071	8.025	6.75	7.81
India	4.097	4.760	5.219	4.930	5.33	5.43
USA	5.201	4.700	4.182	2.790	2.83	3.06
Pakistan	2.194	2.147	1.894	1.960	2.00	2.00
Brazil	1.038	1.524	1.602	1.194	1.17	1.29
Uzbekistan	1.210	1.171	1.206	1.000	0.95	0.96
Others	5.283	4.475	3.856	3.507	3.32	3.36
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>24.956</b>	<b>26.373</b>	<b>26.401</b>	<b>23.093</b>	<b>23.60</b>	<b>23.95</b>
China (Mainland)	9.439	10.600	10.900	9.000	9.27	9.46
India	3.655	3.908	4.050	3.827	4.04	4.20
Pakistan	2.532	2.633	2.637	2.452	2.55	2.63
EU, C.Eur. & Turkey	2.117	2.087	1.751	1.433	1.37	1.32
East Asia & Australia	1.884	1.869	1.843	1.684	1.69	1.69
USA	1.278	1.074	0.999	0.781	0.74	0.72
Brazil	0.973	0.992	1.007	0.937	0.94	0.94
CIS	0.633	0.682	0.664	0.602	0.60	0.59
Others	2.444	2.528	2.549	2.389	2.40	2.41
<b>TRADE IMBALANCE 1/</b>	<b>-0.128</b>	<b>0.038</b>	<b>-0.045</b>	<b>-0.032</b>	<b>0.00</b>	<b>0.00</b>
<b>STOCKS ADJUSTMENT 2/</b>	<b>0.123</b>	<b>0.005</b>	<b>-0.182</b>	<b>0.072</b>	<b>0.00</b>	<b>0.00</b>
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>12.262</b>	<b>12.684</b>	<b>12.084</b>	<b>12.425</b>	<b>11.16</b>	<b>11.12</b>
China (Mainland)	3.991	3.653	3.321	3.850	3.11	3.22
USA	1.321	2.064	2.187	1.319	1.09	1.11
<b>ENDING STOCKS/MILL USE (%)</b>						
<b>WORLD-LESS-CHINA(M) 3/</b>	<b>53</b>	<b>57</b>	<b>57</b>	<b>61</b>	<b>56</b>	<b>55</b>
<b>CHINA (MAINLAND) 4/</b>	<b>42</b>	<b>34</b>	<b>30</b>	<b>43</b>	<b>40</b>	<b>39</b>
<b>Cotlook A Index 5/</b>	<b>56.15</b>	<b>59.15</b>	<b>72.90</b>	<b>61.20</b>	<b>67*</b>	

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ World-less-China (Mainland) ending stocks divided by world-less-China (Mainland)'s mill use, multiplied by 100.

4/ China (Mainland)'s ending stocks divided by China (Mainland)'s mill use, multiplied by 100.

5/ U.S.Cents per pound

\* The price projection for 2009-10 is based on the ending stocks/consumption ratio in the world-less-China in 2007-08 (estimate), in 2008-09 (estimate) and in 2009-10(projection), and on the ratio of Chinese net imports to world imports in 2008-09 (estimate) and 2009-10 (projection).

95% confidence interval: 61 to 74 cents per pound

# SNIPPETS

According to the Cotton Corporation of India (CCI), market arrivals of cotton touched 38 lakh bales by mid-November, as against 36.5 lakh bales by the same period last year. Daily arrivals have gone up from 1,25,000 bales a week ago to 1,30,000 bales during second week of November. Arrivals have been particularly heavy in Gujarat where they touched 13.5 lakh bales compared to 8.75 lakh bales by mid-November last year.



The Government has decided to re-include cotton seed in the list of essential commodities, for six months, to regulate quality more effectively, especially that of Bt. cotton seeds. The Cabinet gave approval for re-inclusion of cotton seed as an essential commodity for six months by amending the schedule to the Essential Commodities Act (ECA), 1955.

Cotton seed was out of the ambit of essential items when the ECA was amended in 2007. After

the inclusion, the Government would be able to regulate production, quality and distribution of cotton seed and curb the sale and spread of spurious seeds which will be subject to regulation under Seed Control Order 1983, thereby ensuring the quality of seed particularly private hybrids of cotton/Bt cotton seeds increasing the productivity and production.



Cotton imports by China during October are reported to have been around 1.19 lakh tonnes, up by 16 per cent compared to September and by 23 per cent compared to October 2008. Since the beginning of the season in August 2009, the total imports are stated to have amounted to 3.30 lakh tonnes, as against 4.12 lakh tonnes during the corresponding period last year. The total running bales imported from January to October 2009 are placed at 11.97 lakh tonnes, down 36 per cent compared with the corresponding period in 2008.



## 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 November 2009						
					21 <sup>st</sup>	23 <sup>rd</sup>	24 <sup>th</sup>	25 <sup>th</sup>	26 <sup>th</sup>	27 <sup>th</sup>	
03.	ICS-102	22mm	V-797	4.5-5.9	19	18400	18400	18400	19000	19500	19500
04.	ICS-103	23mm	Jayadhar	4.0-5.5	19	18600	18600	18600	19000	19500	19500
05.	ICS-104	24mm	Y-1	4.0-5.5	20	21200	21200	21200	21200	21200	21200
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	24600	24600	24600	-	-	-
2009-10 CROP											
01.	ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0	15	24400	24900	24900	25100	25100	25000
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0	15	24900	25400	25400	25500	25500	26000
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9	23	23500	24000	24000	24200	24700	24300
07.	ICS-105	25mm	NHH-44	3.5-4.9	22	22800	22800	22800	22800	N.Q.	N.Q.
08.	ICS-105	27mm	LRA-5166	3.5-4.9	24	23000	23000	23000	23500	24000	24000
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	23800	24300	24300	24800	25100	25100
10.	ICS-105	29mm	S-6	3.5-4.9	26	25000	25500	25500	26400	26500	26000
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	25300	25500	25500	25900	26200	25900
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	-	-	-	26100	27200	27000
13.	ICS-107	35mm	DCH-32	2.8-3.6	31	40000	40000	40000	42000	43000	43000
14.	ICS-301	26mm	ICC	3.7-4.3	25	23500	24000	24000	24700	25000	25000