

Speech by
Shri Dhiren N. Sheth
President

At The
**91st Annual General
Meeting**

held in Mumbai
on Friday, 20th December 2013



COTTON ASSOCIATION OF INDIA

Cotton Exchange Building, 2nd Floor,
Cotton Green (East), Mumbai 400 033.

Dear Members,

It gives me immense pleasure to welcome you all to this **91st Annual General Meeting** of this Association.

The Directors' Report and Audited Accounts along with the Auditors Report, which are already in your hands, cover the working and activities of the Association and financial statements for the year ended 31st March 2013. With your permission, I take them as read.

INDIAN ECONOMIC SCENARIO

Altogether, the pace of growth of Indian economy was slower in 2012-13 compared to earlier years. According to the Central Statistical Office, the economy is estimated to register a growth of 5.0 per cent in 2012-13 as against 6.2 per cent in 2011-12 and 9.3 per cent in 2010-11. The growth is on the lower side not only as

compared to the recent past but also in relation to the growth trends since 2003-04. The slowdown in 2012-13 is attributed to the slowdown in the industrial sector which is estimated to grow at 3.1 per cent in 2012-13 as against 3.5 per cent in 2011-12, and significantly lower growth of only 1.8 per cent in agriculture sector.

The slowdown in 2012-13 has been precipitated by domestic factors as well as factors emanating from the rest of the world, particularly advanced economies and India's major trading partners. The crisis in the Euro-zone area and slow growth in many other advanced economies have affected growth in India through dynamic linkages. Domestic factors including the tightening of monetary policy, in order to control inflation and rein in inflationary expectations, resulted in slowing down of investment and growth, especially in the industrial sector.

In contrast to the present period of stress, the immediate future is expected to be better. There is a significant reduction in current account deficit while recent developments point to a recovery in the manufacturing sector. The Statistical Ministry has indicated that the GDP growth for the three-month period ending September 30 is estimated higher at 4.8 per cent against 4.4 per cent in the preceding quarter. The expectation is that the performance will be better in the second half of 2013-14 in all sectors except perhaps the

services sector. If this sector also shows brisk growth in the last two quarters of 2013-14, the economic recovery will be accelerated.

AGRICULTURE STILL THE MAJOR CONTRIBUTOR

Over the years, the economic contribution of agriculture in India's Gross Domestic Product (GDP) has declined considerably because of the broad based nature of economy. However, the worrying factor is that this declining contribution from agriculture is without any significant increase in industrial growth.

India is principally an agricultural country. Agriculture still continues to play a significant role in the overall socio-economic fibre of the country and with its allied sectors, it is unquestionably the largest livelihood provider in India more so in the vast rural areas. Indian agriculture has undergone rapid transformation in the past two decades and from a net importer, India has emerged a self sufficient nation in terms of food security.

The Prime Minister's Economic Advisory Council has estimated farm sector growth in the current fiscal at 4.8 percent, more than double from last year's 1.9 percent.

COTTON THE UNIQUE FIBRE CROP

The world-wide web that cotton weaves is unrivalled by any other crop. This unique fibre crop is

grown in more than 60 countries over an aggregate area of nearly 34 million hectares.

Cotton plays an important role in the Indian economy as the country's textile industry is predominantly cotton based. India, with about 12 million hectares under this crop, shares nearly 35 per cent of the world total and is the world's leader in area. It ranks second only to China in the production, consumption and export of cotton. The credit of this success story of Indian cotton goes mainly to the spread of GM technology, policy measures of the Government under Technology Mission on Cotton, Technology Upgradation Fund Scheme, etc. and concerted efforts of all concerned including growers, research institutions and NGOs.

The other important factor which has helped the country in achieving this unique position is the free and stable cotton policy. Barring occasional flip flops on the policy front, cotton exports continue under Open General License since July 2001. This has helped the country in earning the confidence of international buyers as a regular supplier and it has also provided opportunity to the growers to realise international price for their produce.

DOMESTIC COTTON SCENARIO

Initial reports suggest a record crop during the cotton season 2013-14. Although, the acreage under

cotton is not expected to exceed that of the cotton season 2012-13, timely rains have brightened the chance of achieving higher yields. Gujarat has seen an increase of 10% in acreage on the back of a good monsoon compared to drought conditions in 2012-13. All other cotton growing States have also received a good rainfall this monsoon as against a below par rainfall in 2012-13.

The cotton production this year is expected to be not less than 378.75 lakh bales while the cotton consumption is likely to be around 300 lakh bales. This will leave a sizeable surplus of about 137 lakh bales.

WORLD COTTON SCENARIO

As was the case during the last three seasons, 2013-14 world production is expected to outpace world consumption. Despite delays in several countries this season, harvesting in the northern hemisphere is nearing completion and production is projected at 25.6 million tons, down by 1.2 million tons from last season. Cotton area is falling by 1 million hectares from last season to 32.8 million hectares, and the average yield is down slightly to 781 kilograms per hectare.

World cotton consumption is forecast at 23.8 million tons in 2013-14, up 2% from last season. Consumption in 2014-15 is also expected to rise further by 3% to 24.6 million tons. Consumption in China in both

2013-14 and 2014-15 are forecast to be lower than the previous four seasons, decreasing to 8 million tons in 2013-14 and 7.8 million tons in 2014-15. On the other hand, consumption in India and Pakistan are both forecast to increase in 2013-14 and 2014-15. India's consumption in 2013-14 is forecast at 5.1 million tons, with an increase of 12% from the average of 4.5 million tons for the last four seasons. In 2014-15, its consumption is forecast to increase a further 7% from the current season to 5.5 million tons. Pakistan averaged 2.3 million tons in the last four completed seasons. Its consumption in 2013-14 is forecast to increase 8% over the average to 2.5 million tons, and in 2014-15, to increase to 2.6 million tons.

While world cotton consumption is expected to see modest growth this season and next, the projected accumulation of cotton stocks will weigh on international cotton prices. However, the extent of this downward pressure will depend largely on how the Chinese national reserve is handled and on the timing and amount of additional import quotas.

THRUST AREAS

The present average yield in India is just about 500 kg per hectare as against the world average of about 790 kgs, not to speak of very high yields harvested by some other countries. With an average yield of around 2140 kg per hectare, Australia is the world's leader in the

matter of productivity. Some of the other countries with high yield are Turkey with 1759 kg/ha and Brazil with 1459 kg/ha. Israel also has a very high yield of 1786 kg/ha. but its area under cotton is just about 8000 hectares. China's average yield is also quite high at 1467 kg/ha, nearly three times of India's.

No doubt, India has taken some strides in raising productivity. For instance, at the beginning of the current century, it had an average yield of just about 260 kg/ha. However, a more accelerated growth is essential for which further concerted efforts need to be made so that India's average yield catches up with atleast the world average.

The thrust areas for this purpose are raising the share of irrigated cotton to the total area and more vigorous and intensive efforts to rapidly spread the wider adoption of modern scientific farming techniques by farmers.

Presently, the share of irrigated cotton to the total is just about 37 per cent and there is not much increase in the share of irrigated cotton during the last two decades or so. Although cotton can be grown in arid zones as it is a xerophytic plant, it is best suited to irrigated areas. We are not able to realise the full potential of hybrid and genetically modified cottons as they can give expression to their full potential only under irrigation. If the share of irrigated cotton is raised to at least half of the total, we

can produce much more cotton than at present from a smaller area. Naturally, besides the farmers, cotton trade will also benefit immensely if this happens. This will also entail immense benefit to the country in term of larger exports earnings.

As for the other thrust area of spreading the adoption of improved farming techniques, the Government both at the Central and State levels, have indeed been launching several cotton development programmes from time to time. These formed the prime source for the rise in productivity that we have achieved. However, time has come to impart greater momentum to this effort. So far, the task was relatively easier since the base level of yield was quite low. Now that we have reached a higher level, the further climb will be harder. The efforts should therefore be more intensive commensurate with this.

Generally, farmers are reluctant to adopt the recommended technology package for higher yield because it entails higher monetary investment on farm inputs and labour. For convincing the farmers, the point to be stressed in this regard is that farmers net income per hectare will go up considerably by adopting the package. The gross income that they can realise will be much higher than otherwise and it will more than offset the higher expenditure involved with the result that

farmers' net income will be significantly higher. Farmers will thus be the gainer.

It is in this background that I have been advocating for quite some time now a much bigger and effective role by this Association and its research wing, 'COTAAP Research Foundation' in coordination with the Government agencies, research institutions, Krishi Vigyan Kendra (KVKs), State Agriculture Universities and other NGOs.

The current developmental activities by the Association under COTAAP Research Foundation, although laudable, are too little to make any serious impact. It is my ardent desire to expand the activities of COTAAP Research Foundation to all cotton growing States and to make them multi-dimensional covering all facets of cotton research and development including agronomy and better management practices. This will enable COTAAP Research Foundation to play an effective role in conservation of natural resources, enhancing soil fertility, encouraging water management, discouraging indiscriminate use of pesticides and other harmful chemicals, etc. I hope, the Association would take concrete steps in this regard in near future.

COTTON PROMOTION

Worldwide, cotton consumption in terms of its share in the fibre basket is on the decline. I am glad and

take pride from the fact that the Association has already in place an effective cotton promotion programme to provide impetus to increase the consumption of cotton in India. In fact, the pilot project of the Association's School Contact Programme is ready to be launched and I hope that in this month itself, the Association will begin a new chapter of generic promotion of cotton, which will be the first of its kind in India.

The Association is also ready to embark on another ambitious programme of promoting 'Suvin' cotton, which is considered as the Jewel of India and is arguably the best cotton in the world. To begin with, the Association has planned to provide to its members the shirting material made out of Suvin cotton, to cater to their gifting needs. This will help increasing the demand for Suvin cotton to some extent and go a long way in reversing near extinction of this precious Indian cotton.

IMPROVEMENT OF FACILITIES AT COTTON GREEN BUILDING

In pursuance of our mission of converting the Cotton Green building into a world class trading hub and to comply with the directives of the Police Department, CCTV cameras have been installed in the building and following further plans are under active consideration of the Board:-

1. To put in place a full fledged fire fighting system with sprinklers and other accessories, as required under the Maharashtra Fire Prevention and Life Safety Measures Act, 2006.
2. To undertake landscaping of the areas in and around the building to provide members with a proper ambience and to increase cleanliness.
3. To set up a solar power plant for improving the supply of electricity in the building.
4. To install safety devices such as luggage screening machines, hand held metal detectors, alarm systems, etc. at the entrances of the building to facilitate screening of visitors before allowing their entry to the building, for ensuring the security and safety of the lives and properties of the members and their staff.
5. Renovation/replacement of old worn out lifts.

All these proposals will be implemented in a phased manner depending on the exigencies and availability of finance. I urge all of you to please co-operate with the Association in this regard.

ROLE OF THE CAI AS A FACILITATOR

During my tenure as the CAI President, I have endeavoured to provide utmost priority to strengthen the role of the Association as a facilitator to the entire cotton value chain.

In order to cater to the ever growing needs of the cotton trade which has disintegrated to the far-flung areas over the years, the Association has set up regional centres in seven States and plans are afoot to expand the presence of the Association in other cotton growing and consuming regions also. These centres will soon commence providing all services apart from cotton testing and work as a bridge between the users of services on the one hand and the Association on the other.

Fixation of spot rates and grade standards are two very unique and important facilities that epitomise the CAI as a central body. It has been my endeavour to strengthen the systems by creating checks and balances to further improve efficiency in providing these facilities.

We have accorded the highest priority to propagating the virtues of better trading practices and contract sanctity. The Association has embarked on the mission to make its Dispute Redressal system, which is well geared to meet the challenges of growing needs, more effective, less time consuming, cost effective and

consumer friendly. The Association is working on changes to be made in our By-laws and has decided to engage the best legal services to do this.

With a view to provide guidance to the users, the Export-Import Committee of the Association is in the process of formulating model contracts and I urge the Committee to complete this task without delay.

There are various other initiatives which the Association has undertaken and the same would fructify in near future.

ACKNOWLEDGEMENTS

Friends, as I mentioned in my speech at the AGM last year, it is gratifying that the Association has developed a very close bond with the Government authorities more so with the Ministry of Agriculture and Cooperation, Commerce and Industry and Textiles in making them alive to the difficulties and problems facing the cotton sector. I am humbled by the fact that Dr. Kavuru Sambasiva Rao, the Hon'ble Union Minister of Textiles himself, accompanied by the Minister of State, Smt. Panabakka Lakshmi and Smt. Zohra Chatterji, the Secretary to the Government of India, visited the Association and blessed us with their words of wisdom. I can never thank them enough for this generosity.

Every time, I took a flight to Delhi with my colleagues, I took it for granted and relied very heavily on the Hon'ble Union Minister of Agriculture and Co-operation, Shri Sharad Pawar's guidance and he always most graciously agreed to my requests and encroachments on his precious time. I shall always remain indebted to Shri Pawar Saab for his kind gestures.

My thanks are also due to Shri Anand Sharma, the Hon'ble Union Minister for Commerce and Industry whose wise counsel I shall always cherish.

Shri Ashish Bahuguna, Secretary, Agriculture and Co-operation, Shri S.R. Rao, Secretary, Commerce and Industry, Smt. Rani Kumudini, Joint Secretary, Agriculture and Co-operation, have also been supportive to the cause of cotton in general and the Association in particular and I can't thank them enough for their kind gestures.

I am also greatly indebted to Dr. Anup K. Pujari, DGFT and Smt. Kavita Gupta, Additional DGFT for their whole-hearted support to the Association in general and me in particular in resolving several trade related issues.

Dr. Rahul Khullar, the erstwhile Secretary for Commerce and Industry, Dr. P.K. Basu, the erstwhile Union Secretary for Agriculture and Co-operation, Smt. Kiran Dhingra, the erstwhile Union Secretary, Textiles

and Shri Subhash Chandra Garg, the erstwhile Joint Secretary for Agriculture and Co-operation have always been the source of inspiration to me. I owe debt of gratitude to them also.

I also take this opportunity to place on record my sincere thanks on behalf of the Association and on my personal behalf to the Ministry of Consumer Affairs, Food and Public Distribution, Central Institute for Research on Cotton Technology, Central Institute for Cotton Research, Directorate of Cotton Development, Cotton Corporation of India, Textile Committee and the Office of the Textile Commissioner for their continued support to the cause of Indian cotton.

I have been fortunate enough to have worked under the able guidance of Shri Babaseth, Shri Sureshbhai Kotak and Shri Kishorebhai Jhunjhunwala, my illustrious predecessors who continue to remain leading lights to me. I sincerely thank each and every one of them.

I also owe a debt of gratitude to our members without whose valuable contributions, support and encouragement, it would not have been possible to overcome the various challenges faced during my tenure as the CAI President. I urge all our members to continue to lend similar support to the Association in future and I am confident that with the concerted efforts and

continued guidance from the cotton trade, the Association will scale new heights of excellence in the years to come.

Our thanks are also due to all our Upcountry Cotton Trade Associations and the Co-operative Cotton Marketing Societies, which have extended their wholehearted support and assistance from time to time.

I would also like to convey my sincere thanks to my fellow office bearers Shri Bhadresh V. Mehta, our Additional Vice President and Shri Shirishbhai Shah, our Honorary Treasurer for sharing my responsibilities and making my task easier.

Friends, how can I forget my Vice President Shri Nayan C. Mirani without whose support I would not have succeeded in discharging my responsibilities. I always took his support and his availability for granted.

I will be failing in my duty if I did not convey my thanks to the Secretariat and the entire staff. I express my appreciation of hard work put in by the Secretariat.

Last but not the least it gives me a great pleasure to express my sincere thanks to the media for the timely coverage given to various activities of the Association.

Thank you.
