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Cotton Statistics And News

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Both World Cotton Production and Consumption to be Higher Next Year - ICAC

According to the projections made by the International Cotton Advisory Committee (ICAC), world cotton production will be lower but consumption up during 2009-10 as compared to the previous year. World cotton trade is also estimated to be slightly higher this year mainly due to higher imports by China.

ICAC has projected the world cotton production at 22.2 million tonnes (mt) during 2009-10, 5 per cent lower than in 2008-09 owing to the lower world average yield which is placed at 725 kg per hectare as against 759 kg in 2008-09. The main fall in production is said to be in China with an estimated crop of 6.80 mt this year, a drop of 1.2 mt from the production of 8.03 mt in 2008-09. ICAC has placed the Indian crop higher this year at 4.13 mt compared to 3.86 mt last year. Production in US is expected to be almost the same this year as in 2008-09.

A year ago, ICAC was projecting the world cotton mill use to remain stable in 2009-10, due to the uncertain global economic outlook prevailing at that time. The projection became more optimistic as the year progressed and the global economic outlook showed improvement. The forecast on mill use gradually rose during the year based on more positive global economic projections and on preliminary estimates of actual mill use and imports by consuming countries. The latest projection of ICAC on world cotton mill use is 23.93 mt compared to 23.28 mt in 2008-09. Countries that are expected to increase the mill

use are China, India and Pakistan. The world mill use at 23.28 mt in 2008-09 was the lowest level of consumption since the year preceding the final elimination of the Multi-Fibre Arrangement quotas in January 2005. The fall was driven by the sharp drop in consumption of textile products resulting from the global economic and financial crisis.

World cotton trade is expected to witness a slight increase to 7.13 mt in 2009-10 as against 6.56 mt in 2008-09. One of the reasons for this is the higher imports by China at 1.80 mt compared to 1.52 mt in the previous year. While the exports from US are expected to be slightly lower, Indian exports are forecast to post an impressive rise from 0.51 mt in 2008-09 to 1.24 mt this year.

Consequent on the world production coming down and consumption moving up, ICAC envisages an erosion in world ending stock from 12.28 mt in 2008-09 to 10.53 mt in 2009-10. This is likely to exert pressure on world cotton prices. Thus, ICAC has forecast the average Cotlook A Index to go up significantly from 61.2 US Cents per pound in 2008-09 to 72 Cents in 2009-10. The Index had touched a high of 72.9 Cents per pound in 2007-08.

As for the ensuing season, 2010-11, ICAC states that higher cotton prices in 2009-10 combined with the recent decline in prices of grains and oilseeds, and relatively stable production costs, may induce farmers to plant more area under cotton next year. The forecast is that there may

be a 5 per cent increase in cotton area to 32.0 million hectares in 2010-11. Assuming an average yield of 754 kg per hectare, about 4 per cent higher than in 2009-10, world cotton production is expected to rebound to 24.1 mt next year. All the leading countries and particularly China and US, are projected to harvest better crops in 2010-11.

World cotton consumption next year is also forecast to go up to 24.5 mt from this year's estimated 23.93 mt. Small increases are expected in all the major cotton consuming countries like China, India and Pakistan. A slight increase in world cotton trade from this year's 7.13 mt to 7.35 mt next year is also forecast by ICAC, mainly because of the expected increase in Chinese imports from this year's 1.80 mt to 2.08 mt in 2010-11. With world consumption only slightly higher than production, only a marginal fall from 10.53 mt this year to 10.11 mt next year is expected in the world ending cotton stock.

The world cotton balance sheet, as drawn up by the ICAC is given below:

World Cotton Supply and Demand			
	2008-09	2009-10	2010-11
(In million tonnes)			
Opening Stock	12.03	12.28	10.53
Production	23.41	22.18	24.12
Total Supply	35.44	34.46	34.65
Consumption	23.28	23.93	24.53
Exports	6.56	7.13	7.35
Ending Stock	12.28	10.53	10.11



More Signs of India's Growth Gaining Pace

India has been one of the earliest countries to come out of the recessive impact of the global financial crisis since October 2008. Recent reports from different segments go to confirm that the growth of the country's economic revival has been gaining pace. For instance, both exports and imports have been higher while key manufacturing sectors are said to have reported higher sales.

India's shipments reportedly increased by over 9 per cent in December marking a positive growth for the second month in a row. Imports are also reported to have turned positive with a growth of over 27 per cent in December ending an 11-month negative spell to signal a robust demand from the domestic manufacturing sector. The value of exports in December came to \$ 14.6 billion as compared to \$ 13.36 billion a year ago. Increase in the value of imports was from \$ 19.45 billion a year ago to \$ 24.75 billion in December 2009. Since October 2008, exports are stated to have turned positive for the first time in November 2009 with over 18 per cent growth to end 13 successive months of downslide as demand from global markets dried up in the wake of economic crisis. The expectation is that the positive growth in India's exports will continue in the next few months as most of the

developed economies recover. For instance, recent reports state that US economy posted the highest growth of 5.7 per cent in the last six years during the last quarter of 2009.

The improvement in the economic growth and investment climate has also been indicated by the better sentiment among most corporate houses. For instance, India's manufacturing Purchasing Managers' Index (PMI), a key measure that indicates the mood in the manufacturing sector, reportedly rose to a 17-month high of 57.6 in January from 55.6 in December. Another significant parameter indicating the speedy economic recovery is said to be the revival of investment in major projects including manufacturing and infrastructure after several sluggish quarters. According to reliable data, projects worth Rs. 16,564 crore were shelved during the quarter ended December 2009 while the figure was Rs. 21,320 crore in the previous quarter. Investments revived during the December 2009 quarter reportedly stood at Rs. 19,578 crore as against Rs. 14,427 crore in September quarter, Rs. 8,189 crore in June and Rs. 4,234 crore in March 2009 quarters. With business confidence picking up, plus rising pay scales as well as hiring back on track, it is expected that more investments would take place from now.

Cotton Shipments Plummet in January

After touching a high in December 2009, raw cotton exports appear to have plummeted in January 2010, according to the data available from the office of the Textile Commissioner. The details of monthly export registrations and actual shipments since the commencement of the current season are given in the table below:

Month	(In lakh bales)	
	Quantity Registered	Quantity Shipped
October 2009	7.57	5.40
November 2009	24.28	10.39
December 2009	9.04	10.86
January 2010	10.17	1.25
Total	51.06	27.90



China Dominates the World Textile Scene

It is well known that China dominates the world textile scene. According to a recent report, it has made further progress during 2009. The production of textiles and clothing in China is stated to have posted a growth of 10.3 per cent during the year. The production of yarn at 24 million tonnes in 2009 was 12.7 per cent higher year on year.

Further, the textile companies are reported to have recorded an increase of 25.4 per cent in profits during 2009 compared to the previous year. Such increase in profit is attributed to the upgradation of equipments and relocation of the textile companies from coastal areas to Central China where costs are said to be lower.

While the export registrations were the highest in November, the actual shipments were the lowest in January. The total shipments upto January have come to about 28 lakh bales. It would appear that the registrations peaked in November owing to reports that Government may impose a ban on exports as urged by the textile industry to check cotton prices. However, the Textiles Minister has already clarified that the Government has no intention of banning cotton exports since there is adequate availability.

The Cotton Advisory Board had estimated exports in 2009-10 at 55 lakh bales as against 35 lakh bales last year. It is not clear whether the dip in exports during January reflect a slide in overseas demand or the price factor has come into play. The trend in exports during February will thus be of interest. In this connection, it may be stated that the total registrations came to 8.9 lakh bales and shipments to 8.13 lakh bales during the corresponding period of last year from October 2008 to January 2009.

Haryana CM Urges Uniform MSP for Cotton

The agriculture ministry has referred a complaint from the Haryana government about lower minimum support price (MSP) for cotton fixed for the state in comparison to Punjab to the textile ministry. Haryana CM in October last year had written to agriculture minister Sharad Pawar pointing about differential rate of MSP fixed for Haryana and Punjab for the same varieties of cotton. It is pointed out that the MSP for F-414, H-777 and J-34 varieties of cotton was at Rs 2,700 a quintal in Haryana, whereas it is higher at Rs 2,800 a quintal in Punjab. He said there should be a uniform MSP as the agricultural conditions and practices are the same in both states.

Officials said the difference in MSP in Punjab and Haryana is due to categorisation of F-414, H-777 and J-34 varieties under different staple. Since market prices of these varieties are higher than their MSPs, addressing the issue was not a priority for the government, they said.

SNIPPETS

According to a report, cotton arrivals in Pakistan upto January end this year at 125 lakh bales were 16 per cent higher compared to last year's arrivals of 108 lakh bales by the same period. If arrivals are any pointer, it would appear that Pakistan crop may be higher in 2009-10 compared to the previous year.



The Forward Markets Commission (FMC) is reported to have urged the Ministry of Consumer Affairs to treat commodity derivatives transactions on a par with equity derivatives. In a letter to the Ministry, FMC is stated to have laid special emphasis on derivatives transactions on commodity exchanges which are misconceived as speculative activities. This misconception is said to be the main reason behind thin volumes at exchanges and flourishing parallel markets. The FMC appears to have pointed out that the Government has to recognise trading on commodity exchanges as a 'line of business' and not pure speculation.



Issue of Certificates of Origin (Non-Preferential)

The CAI has been enlisted by the Director General of Foreign Trade, New Delhi and is authorized us to issue Certificates of Origin (Non-Preferential). This service has already been commenced by CAI from 20th November 2008.

The purpose of this is to serve all the stakeholders in cotton value chain better and more effectively. We invite all of you to avail of these services.

The interested parties may contact the CAI Secretariat or visit our website: www.caionline.in for more details.

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 February 2010					
					13th	15th	16th	17th	18th	19th
04.	ICS-103	23mm	Jayadhar	4.0-5.5 19	H	21800	21800	21800	21800	21800
2009-10 CROP										
01.	ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0 15	O	22200	22200	22200	22400	22100
02.	ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0 15		23000	23000	23000	23000	23000
03.	ICS-102	22mm	V-797	4.5-5.9 19	L	19200	19200	19200	20000	20000
05.	ICS-104	24mm	Y-1	4.0-5.5 20		23700	23700	23700	23700	23700
06.	ICS-202	25mm	J-34	3.5-4.9 23		24900	24900	24900	24900	24900
07.	ICS-105	25mm	NHH-44	3.5-4.9 22	I	N.A.	N.A.	N.A.	N.A.	N.A.
08.	ICS-105	27mm	LRA-5166	3.5-4.9 24		24900	24900	24900	24900	25100
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9 25	D	25400	25400	25400	25600	25800
10.	ICS-105	29mm	S-6	3.5-4.9 26		26400	26400	26400	26600	26700
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27	A	26700	26700	26700	26900	27000
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5 28		27000	27000	27000	27000	27000
13.	ICS-107	35mm	DCH-32	2.8-3.6 31	Y	39500	39500	39500	39500	39800
14.	ICS-301	26mm	ICC	3.7-4.3 25		25300	25300	25300	25300	25400