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Solution to Problem Faced by Entire Cotton Chain

Shri. Shyam Makharia is the Managing Partner of Shykam Exim LLP and many other Firms.

He is the Honorary Treasurer and a Director of Cotton Association of India. He is also on the Board of several other companies. He is the President of The Bombay Cotton Merchants and Muccadams Association Ltd. and a Trustee on the Board of several Charitable Trusts.

Shri. Makharia has been in the cotton business for the last 45 years. He is supplying cotton to the Textile Mills in India and he is also an exporter of cotton.

I am a cotton merchant and in the cotton trade for the last 45 years. The Cotton Association of India is an Association, where all stakeholders are our members, i.e. farmer, ginner, trader, broker, exporter, mills and even all regional associations. It is more than a nine decade old Association which looks after interest of all the above stakeholders.

I being a Hon. Treasurer of CAI want to share my views on how to make our country progress

with the cotton crop and make all stakeholders happy.



GUEST COLUMN

Shri. Shyam Makharia
Managing Partner, Shykam Exim LLP

Agriculture plays a vital role in the Indian economy. Over 58% of rural households depend on agriculture as their principal means of livelihood. However, agriculture continues to remain one of the largest contributors to the country's GDP.

Cotton is known as white gold, which generates income for farmers.

As we all know, India is the biggest producer of cotton in the world. We have crossed China and USA. Now the question comes that inspite of having such a large production in exports why do we get 5 to 8 cents less compared to West African, Australian, USA and other countries?

After having the highest crop in the world, why we are selling our cotton at less price?

India has a civilisation, heritage, rich production of cotton. We all are working relentlessly to increase yield of cotton and how to improve our cotton quality.

Then why are we failing to make our cotton the best in world market? Why are other countries getting ranked higher and why are we laggards?

We are whole heartedly supporting the government's policy to Double Farmers' Income, but mere wishes cannot achieve results. We have to make concentrated efforts with new ideas, deploy new technology and adopt good agro products and get results.

Doubling farmers' income cannot be achieved until and unless all stake holders collectively support this policy, gear up to their respective duties and look beyond their self- interest.

We shall educate to give strength to the supply chain. We need to perform and not only to inform.

We have to ensure that cotton sold to mills in India and abroad, is the best quality.

India is a substantial importer of cotton and mills have no option but to import cotton from other countries to keep up their quality production.

Even the trading community has to synergise on both sides efficiently.

We need to think like Japan or Germany to think in term of finest methods to be deployed for excellence and modern improvement.

Owner of ginning industry should realise that adulteration and contamination is a national waste of our highest cotton crop production. It affects all stakeholders.

To come up to world level we must have:-

- 1) Proper irrigation.
- 2) Good quality of seeds.
- 3) Teaching best farming practices to farmers, including checking quality of seeds and proper use of fertilizers.
- 4) Consolidation of farms, as we have small farm holdings.
- 5) Control excess spraying on the cotton.

While the world average yield per hectare is

753 kgs. while our Indian yield per hectare is 526 kgs.

India has the highest cultivated land in the world at 12.2 million hectares. Out of 30 million hectares all over the cottons cultivated land, we have 12.2 million hectares which is about 40% of the cotton cultivated land in the world. If we reach world level of 753 kgs. per hectare i.e 227 kilos more per hectare, we can get a crop size of 362 lacs bales plus 156 lac bales. i.e. total 362 + 156 = 518 lacs bales.

Our farmers then will get good price for their crop, Mills will get cheap cotton, cotton can be exported at very competitive price, ginners can also get good earning by using their full capacity. In other words, it will be a win-win situation for all stakeholders.

To achieve this, farmer must get good minimum support price (MSP). So that they are encourage to grow more and more cotton.

This can be achieved only by making farmers happy.

To achieve this Cotton Association of India is planning to start a Farmer Education Training Centre. Let's not only depend on government but on ourselves also.

Indian economy should be shining, and all stakeholders should think on this line and should start working on this.

All our numerous spinning and weaving mills, ginning and pressings factories, will benefit by working together.

I am sure that under the leadership of Shri. Atul Ganatra, our dynamic President of Cotton Association of India, and our very efficient and energetic team, we shall with the help of all stakeholders achieve the desired results.

Let us take pledge that we will start working immediately in this direction.

Courtesy Cotton India 2018 (Mumbai)

(The views expressed in this column are of the author and not that of Cotton Association of India)

Relative Pricing of Cotton

Shri. Kunal Thakkar graduated from Texas A&M University with a Bachelors in Electrical Engineering and a minor in business in 2007.

He worked with a leading cotton merchant in Memphis, USA from June 2007 to December 2008. Returned back to India, and began to work with the family run company UB Cotton Pvt Ltd in January 2009.

He takes keen interest in technology and data analysis



GUEST COLUMN

Shri. Kunal Thakkar
Director, UB Cotton Pvt. Ltd

GC 41 4 34, it is the only benchmark available which is widely accepted.

When prices become hugely discounted to ICE futures they represent 'value' and when they are at a large premium to ICE futures they may be considered 'overvalued'.

These comparisons must be made after accounting for the quality differentials between various origins and considering moisture and trash differentials along with contamination free premiums for certain origins like Australian,

US and Brazilian cotton.

The price of cotton represents a meeting point where a buyer and seller agree to transact a particular origin and quality of cotton.

Eventually it is 'price' that we all, as cotton traders, different parts of the value chain and the entire cotton community are seeking to gauge to the best of our abilities.

Perception

We live in a very dynamic and fast adapting world wherein the speed of information and transmission of the same is lightning fast.

In absolute terms, prices are 'perceived' to be low or 'perceived' to be high.

Perception can be subjective and when prices are stacked against each other on a scale we can arrive at relative pricing.

Prices Benchmarked to ICE Cotton Futures Contract

Using ICE cotton futures as a base, we can arrive at premiums and discounts of various origins of the world 'relative' to ICE (Intercontinental Exchange).

While some may argue that this method gives excessive emphasis to US cotton since the base contract quality for ICE cotton futures is

Prices and the Indian Context:

In India, most spinning mills view prices in absolute terms rather than relative terms.

It is true that Indian Minimum Support Price operations will create a floor and hence an 'Absolute' price becomes very important but when the cotton market prices are trading much above this floor price it is important to keep in mind the relative price of a particular cotton origin and quality

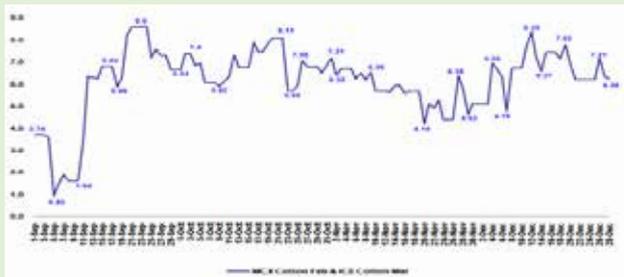
Spinning mills over time must recognise this and adapt to the changing environment while making buying decisions.

The large traders in the cotton community make decisions on whether to buy/sell based on relative pricing of a particular origin.

To think of it in a larger perspective, relative pricing can also help avoid the temptation to buy/sell as it would immediately flag a particular origin to be 'relatively cheap or expensive'.

Example

Below is a price chart for Indian MCX cotton February price converted to USD and compared with daily ICE cotton futures closing price for



March 2018 cotton from September 2017 to December 2017

The 'basis' as defined is the difference between the physical price of cotton and the ICE Cotton futures contract varies from a low of 0.95 to a high of 8.6

Risks Associated

While this method allows good risk management it assumes that there is sufficient liquidity available if ICE futures or the physical cotton market becomes irrational in the short term and hence liquidity to hold onto that position is available freely.

There have been times when ICE cotton futures contract due to speculative influences

may swing wildly and a position held on the exchange may yield large swings in profits or losses.

But as the market swings wildly and adds to 'risk' it also presents an 'opportunity'.

As the market dynamics change, the Indian cotton pricing environment is also adapting quickly to global price trends.

There are multiple factors affecting physical cotton prices in India and multiple factors influencing prices on the Intercontinental Exchange for cotton futures.

However, we must remember that these swings in prices bring risk but also represent opportunities and hence the Indian cotton community must be alert, adapt and plan to act to best manage their end needs.

Courtesy Cotton India 2018 (Mumbai)

(The views expressed in this column are of the author and not that of Cotton Association of India)

Update on Cotton Acreage (As on 05.09.2019)

(Area in Lakh Ha)

Sr. No.	State	Normal Area (DES)*	Normal Area as on Date (2014-2018)	Area Covered (SDA)					
				2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Andhra Pradesh	6.56	5.330	5.890	5.360	5.640	3.778	5.300	6.570
2	Telangana	17.00	16.376	18.128	17.798	18.610	12.500	16.730	16.240
3	Gujarat	26.04	26.900	26.645	26.908	26.330	23.824	27.630	29.810
4	Haryana	6.06	6.078	7.010	6.650	6.560	4.980	5.810	6.390
5	Karnataka	6.47	5.100	5.660	3.840	4.710	4.640	4.840	7.470
6	Madhya Pradesh	5.65	6.012	6.090	6.880	5.990	5.990	5.470	5.730
7	Maharashtra	41.48	40.094	43.766	41.022	42.030	38.014	38.192	41.210
8	Odisha	1.31	1.376	1.696	1.578	1.450	1.360	1.250	1.240
9	Punjab	3.56	3.650	4.020	2.840	3.850	2.560	4.500	4.500
10	Rajasthan	4.76	4.412	6.445	4.961	5.031	3.847	4.060	4.162
11	Tamil Nadu	1.61	0.177	0.235	0.087	0.495	0.056	0.179	0.070
12	Others	0.43	0.230	0.271	0.172	0.286	0.170	0.210	0.310
All India		120.930	115.735	125.856	118.096	120.982	101.719	114.171	123.702

* Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare, Krishi Bhavan, New Delhi
Source : Directorate of Cotton Development, Nagpur

CAI Maintains its Cotton Crop Estimate for 2018-19 Season at 312 Lakh Bales

Cotton Association of India (CAI) has released its August estimate of the cotton crop for the ongoing season 2018-19 beginning from 1st October 2018. CAI has retained its cotton crop estimate for 2018-19 at 312 lakh bales of 170 kgs. each i.e. at the same level as in the previous estimate. A statement containing the State-wise estimate of the cotton crop and the balance sheet as on 30th September 2019 drawn by the Crop Committee of the CAI with the corresponding data for 2017-18 crop year is given below.

The CAI has maintained its cotton crop estimate for the Northern Zone at the same level as in its previous month's estimate i.e. at 59 lakh bales. However, there is a reduction of 10000 bales in the cotton crop estimate for Punjab and an increase of 10000 bales in the cotton crop estimate for Lower Rajasthan. Similarly, CAI has maintained cotton crop estimate for the Central Zone at the same level as in its previous month estimate i.e. at 180.68 lakh bales although there is an increase of 50000 bales in the cotton crop estimate for Gujarat State and a reduction of 25000 bales each in the cotton crop estimate of Maharashtra and Madhya Pradesh. There is no change in the cotton crop estimates of the remaining states.

The total cotton supply estimated by the CAI during the period from October 2018 to August 2019 is 363.02 lakh bales of 170 kgs. each which consists of the arrivals of 307.02 lakh bales upto 31st August 2019, imports of 23 lakh bales upto 31st August 2019 and the opening stock estimated by the CAI at 33 lakh bales at the beginning of the season.

Further, the CAI has estimated cotton consumption during the months of October 2018 to August 2019 at 288.75 lakh bales of 170 kgs. each while the export shipment of cotton (excluding cotton waste) estimated by the CAI upto August 2019 is 43 lakh bales of 170 kgs. each. Stock at the end of August 2019 is estimated by the CAI at 31.27 lakh bales including 17.55 lakh bales with textile mills and remaining 13.72 lakh bales with CCI and others (MNCs, Traders, Ginners, etc.).

The yearly Balance Sheet projected by the CAI estimated total cotton supply till end of the cotton season i.e. upto 30th September 2019 at 374 lakh bales of 170 kgs. each which is lower by 2 lakh

bales compared to the cotton supply estimated by the CAI in the previous month. Cotton supply now estimated by the CAI upto 30th September 2019 consists of the Opening Stock of 33 lakh bales at the beginning of the cotton season and imports estimated by the CAI at 29 lakh bales, which are lower by 2 lakh bales compared to the estimate of 31 lakh bales made in the previous month and higher by 14 lakh bales compared to the previous year's estimate at 15 lakh bales. CAI has lowered its import estimate for the season in view of actual shipments reaching Indian ports being lower than estimated previously.

Domestic consumption estimated by the CAI for the entire crop year i.e. upto 30th September 2019 is 315 lakh bales while the CAI has estimated exports of cotton (excluding cotton waste) for the season at 44 lakh bales, which are lower by 2 lakh bales compared to the export estimate of 46 lakh bales made during last month and which is lower by 25 lakh bales compared to the previous year's cotton exports estimate of 69 lakh bales. Export of cotton waste was inadvertently included in the export estimate of the CAI made during last month. This mistake has now been rectified and the export estimate has now been lowered by 2 lakh bales to arrive at the export estimate of only cotton (excluding cotton waste). The carryover stock estimated at the end of the season is 15 lakh bales.

Highlights of Deliberations held at the meeting of the Crop Committee of Cotton Association of India on 9th September 2019

Crop Committee of Cotton Association of India (CAI) met on 9th September 2019. 14 members were present. Based on the data available from various trade sources, upcountry associations and other stakeholders, the Committee arrived at its August estimate of the cotton crop for the 2018-19 season beginning on 1st October 2018 and drew estimated cotton balance sheet.

The following are the highlights of deliberations at the said meeting: -

1. The cotton crop estimate for the season 2018-19 is retained by the CAI at 312 lakh bales i.e. at the same level as estimated by it in the previous month although in the northern zone, there is a reduction of 10000 bales in the crop estimate

of Punjab (8.65 lakh bales compared to the estimate of 8.75 lakh bales made in the previous month) and there is an increase of 10000 bales in the cotton crop estimate of Upper Rajasthan (13.10 lakh bales compared to 13 lakh bales estimated during the last month. Similarly, in the central zone, there is an increase of 50000 bales in the cotton crop estimate for Gujarat state (87.50 lakh bales compared to 87 lakh bales estimated during last month) and reduction of 25000 bales each in the estimates for Maharashtra & Madhya Pradesh (70.25 lakh bales in Maharashtra compared to 70.50 lakh bales estimated during last month and 22.93 lakh bales in Madhya Pradesh compared to 23.18 lakh bales estimated during last month) There is no change in the cotton crop estimates of the remaining states.

2. There is a reduction of 2 lakh bales in the projection of cotton export for the season and the same is now estimated at 44 lakh bales compared to 46 lakh bales estimated by the CAI previously. Export of cotton waste was inadvertently included in the estimate of cotton export made by the CAI during last month. This mistake has now been rectified and the estimate of cotton export has been lowered by 2 lakh bales to arrive at the exports of only raw cotton excluding cotton waste.
3. There is a reduction of 2 lakh bales in the projection of import of cotton and the same is now estimated at 29 lakh bales compared to 31 lakh bales estimated by the CAI previously. CAI has lowered its estimate of cotton imports for the season in view of actual import shipments reaching Indian ports till end of August 2019 being only 23 lakh bales, which are lower than estimated previously.
4. The yearly consumption estimated by the CAI is also retained at the same level as in the previous month i.e. at 315 lakh bales.
5. Indian cotton arrivals during the months of October 2018 to August 2019 are estimated at 307.02 lakh bales. Around 98% of the total crop for the ongoing season has already arrived in the market.
6. Shipment of imports from 1st October 2018 to 31st August 2019 which have reached Indian Ports are estimated at 23 lakh bales while balance 6 lakh bales are estimated to arrive Indian Ports

in the month of September 2019 (total imports estimated during the entire season are 29 lakh bales).

7. Cotton export shipments of cotton (excluding cotton waste) from 1st October 2018 to 31st August 2019 which have already been shipped are estimated at 43 lakh bales while balance 1 lakh bales are expected to be shipped in the month of September 2019 (total exports of cotton (excluding cotton waste) estimated during the entire season are 44 lakh bales).
8. Consumption by Indian spinning mills for 11 months i.e. from 1st October 2018 to 31st August 2019 is estimated at 288.75 lakh bales.
9. Cotton stock held by mills in their godowns on 31st August 2019 is estimated at 17.55 lakh bales.
10. CCI, MNCs, Ginners and MCX are estimated to have stock of 13.72 lakh bales as on 31st August 2019 which is equal to about 14.58 lakh running bales.
11. Thus, total stock held by spinning mills and stockists on 31st August 2019 is estimated at 31.27 lakh bales of 170 kgs. each which is equal to about 33 lakh bales.
12. Due to small crop size and very tight cotton balance sheet, stock as on 30th September 2019 is estimated by the Committee at 15 lakh bales of 170 kgs. Each.

**CAI's Estimates of Cotton Crop
as on 31st August 2019
for the Seasons 2018-19 and 2017-18**

(in lakh bales of 170 kg.)

State	Production *		Arrivals as on 31 st August 2019 (2018-19)
	2018-19	2017-18	
Punjab	8.65	9.00	8.30
Haryana	23.00	23.60	21.64
Upper Rajasthan	13.10	11.15	13.02
Lower Rajasthan	14.25	12.25	14.17
Total North Zone	59.00	56.00	57.13

Gujarat	87.50	105.00	87.04
Maharashtra	70.25	83.00	69.85
Madhya Pradesh	22.93	21.50	22.48
Total Central Zone	180.68	209.50	179.37
Telangana	35.50	51.50	35.14
Andhra Pradesh	12.00	18.50	11.69
Karnataka	15.50	18.75	14.87
Tamil Nadu	5.00	5.75	4.50
Total South Zone	68.00	94.50	66.20
Orissa	3.32	4.00	3.32
Others	1.00	1.00	1.00
Total	312.00	365.00	307.02

* Including loose

The Balance Sheet drawn by the Association for 2018-19 and 2017-18 is reproduced below:-

(in lakh bales of 170 kg.)

Details	2018-19	2017-18
Opening Stock	33.00	36.00
Production	312.00	365.00
Imports	29.00	15.00
Total Supply	374.00	416.00
Mill Consumption	276.00	275.00
Consumption by SSI Units	27.00	29.00
Non-Mill Use	12.00	15.00
Total Domestic Demand	315.00	319.00
Available Surplus	59.00	97.00
Exports	44.00	69.00
Closing Stock	15.00	28.00

Balance Sheet of 11 months i.e. from 1.10.2018 to 31.08.2019 for the season 2018-19

Details	(in lakh b/s of 170 kg)	(in '000 Tons)
Opening Stock as on 01.10.2018	33.00	561.00
Arrivals upto 31.08.2019	307.02	5219.34
Imports upto 31.08.2019	23.00	391.00
Total Available	363.02	6171.34
Consumption	288.75	4908.75
Export Shipment 31.08.2019	43.00	731.00
Stock with Mills	17.55	298.35
Stock with CCI, MNCs, MCX & Ginners	13.72	233.24
Total	363.02	6171.34

As per Cotton Association of India Stock on 31.08.2019

State	Ginners	MNC	CCI	MCX	Total
PUNJAB	0.02	NIL	NIL	NIL	0.02
HARYANA	0.03	NIL	NIL	NIL	0.03
RAJASTHAN	0.18	NIL	NIL	NIL	0.18
GUJARAT	1.50	0.10	0.16	0.55	2.31
MAHARASHTRA	1.25	NIL	1.25	0.33	2.83
ANDHRA PRADESH	0.10	NIL	0.10	NIL	0.20
TELANGANA	0.40	0.15	6.20	0.15	6.90
MADHYA PRADESH	0.40	NIL	0.42	NIL	0.82
ORISSA	0.08	NIL	0.25	NIL	0.33
KARNATAKA	0.10	NIL	NIL	NIL	0.10
TOTAL	4.06	0.25	8.38	1.03	13.72

UPCOUNTRY SPOT RATES													(Rs./Qtl)	
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]								Spot Rate (Upcountry) 2018-19 Crop September 2019						
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	2nd	3rd	4th	5th	6th	7th	
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	H	11304 (40200)	11304 (40200)	11304 (40200)	11304 (40200)	11304 (40200)	
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15		11445 (40700)	11445 (40700)	11445 (40700)	11445 (40700)	11445 (40700)	
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20		9167 (32600)	9167 (32600)	9167 (32600)	9139 (32500)	9139 (32500)	
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	O	10489 (37300)	10489 (37300)	10489 (37300)	10489 (37300)	10489 (37300)	
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23		11051 (39300)	11051 (39300)	11051 (39300)	11051 (39300)	11051 (39300)	
6	P/H/R (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	L	11473 (40800)	11445 (40700)	11445 (40700)	11445 (40700)	11445 (40700)	
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25		10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)	
8	P/H/R	ICS-105	Fine	27mm	3.5 - 4.9	4%	26		11614 (41300)	11585 (41200)	11585 (41200)	11585 (41200)	11585 (41200)	
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	26	I	10854 (38600)	10854 (38600)	10854 (38600)	10854 (38600)	10854 (38600)	
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26		11276 (40100)	11276 (40100)	11276 (40100)	11276 (40100)	11276 (40100)	
11	P/H/R	ICS-105	Fine	28mm	3.5 - 4.9	4%	27		11670 (41500)	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	
12	M/M(P)/SA/TL	ICS-105	Fine	28mm	3.5 - 4.9	3.5%	27	D	11585 (41200)	11529 (41000)	11585 (41200)	11585 (41200)	11585 (41200)	
13	GUJ	ICS-105	Fine	28mm	3.5 - 4.9	3.5%	27		11585 (41200)	11529 (41000)	11529 (41000)	11473 (40800)	11473 (40800)	
14	M/M(P)/SA/TL/K	ICS-105	Fine	29mm	3.5 - 4.9	3.5%	28	A	11838 (42100)	11754 (41800)	11810 (42000)	11810 (42000)	11810 (42000)	
15	GUJ	ICS-105	Fine	29mm	3.5 - 4.9	3.5%	28		11810 (42000)	11754 (41800)	11754 (41800)	11698 (41600)	11698 (41600)	
16	M/M(P)/SA/TL/K/O	ICS-105	Fine	30mm	3.5 - 4.9	3%	29		12063 (42900)	12035 (42800)	12092 (43000)	12092 (43000)	12092 (43000)	
17	M/M(P)/SA/TL/K/TN/O	ICS-105	Fine	31mm	3.5 - 4.9	3%	30	Y	12373 (44000)	12373 (44000)	12429 (44200)	12429 (44200)	12429 (44200)	
18	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 - 4.9	3%	31		12682 (45100)	12682 (45100)	12738 (45300)	12738 (45300)	12738 (45300)	
19	M/M(P)/K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	33		15157 (53900)	15157 (53900)	15157 (53900)	15157 (53900)	15157 (53900)	

(Note: Figures in bracket indicate prices in Rs./Candy)