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Cotton Statistics And News

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Cotton Market Witnesses Increased Activity

Cotton market had been remaining sluggish for a few months since the commencement of the current season. This was mainly due to the unprecedented hike in minimum support prices (MSPs) which effected all the concerned segments like mills, traders, exporters and ginners. The adverse impact was aggravated because of the critical situation already being faced by the textile industry consequent on the country's economic slowdown and the global financial crisis which brought down the domestic and overseas demand for textile products drastically.

In order to safeguard farmers' interests, the State controlled Cotton Corporation of India (CCI) resorted to massive purchases of cotton from farmers at MSP. As per reports, it has procured a total of 88 lakh bales up to the end of March. In addition, the other State nominee for price support operations, viz, The National Agricultural Cooperative Marketing Federation (NAFED) also intervened in the market. Its purchases so far have aggregated to 36 lakh bales. Thus, the State nominated agencies have procured a total of 124 lakh bales by March or about 49 percent of the estimated total market arrivals of 253 lakh bales by March. Incidentally, arrivals by this period last year were 23 lakh bales higher at 276 lakh bales. Expectedly, the pace of arrivals has slowed down considerably. Looking to the overall picture this year, some trade circles have expressed misgivings about production reaching the CAB estimate of 290 lakh bales.

Not unexpectedly, CCI had been finding it difficult to dispose of the huge cotton stock against the subdued demand. It, therefore, introduced a scheme for bulk discount sale from the last week of February. Discounts ranged from Rs.400 to Rs.650 per candy. Recently, leading merchants are said to have entered the market and are buying sizable quantities from CCI which has reportedly disposed off about 61 lakh

bales so far. Because of this and other factors, cotton prices have moved down. This is stated to have also prompted ginners, who largely remained inactive this year to start buying cotton. Thus, the cotton market has during the last few days witnessed greater activity with the rise in demand from mills, traders and ginners. Consequently, domestic prices have also started looking up.

A related report says that owing to a rise in demand from local mills, cotton prices in Punjab and Haryana have gone up by about 10-12 percent during the last few weeks. Fresh market arrivals of cotton in these States have virtually dried up. In fact, production in these two States is estimated to be lower this year from last year's 22 lakh bales to 17 lakh bales in Punjab and from 16 lakh bales to 14 lakh bales in Haryana. Evidently, the lower production and the drying up of arrivals have given a bullish trend to prices.

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Payment to be made in the name of Cotton Association of India payable at par in Mumbai. We solicit your co-operation.

CCI Cotton Sales Exceed 55 lakh bales - Report

After the introduction of the scheme for bulk discount sale during the last week of February, the Cotton Corporation of India (CCI) appears to have been able to speed up its sales. A recent report says that the sales have crossed 55 lakh bales so far. However, sales are likely to slowdown hereafter as a majority of mills are stated to have covered their requirements for 2-3 months which is the normal period. CCI is reported to have increased its sale prices by Rs 700 - 1000 per candy in March on sustained buying interest by mills and the decline in fresh arrivals at the major cotton trading centres.

In a related report, it is stated that the Corporation's purchases this season may exceed

100 lakh bales. The Chairman and Managing Director of CCI is quoted to have estimated that it will require about Rs 15,000 crore for procuring 100-125 lakh bales. It appears that CCI is all set to borrow Rs 9,000 crore for cotton procurement. A cash flow statement is said to have been submitted to bank and in return CCI has obtained sanction for the amount as cash-credit limit, it is stated. CCI, it appears can avail of the amount at any point of time. CCI deals in cash and does not sell on credit. Hence, cash flow has commenced from the very start of sale. CCI is stated to have already borrowed Rs 8,500 crore and an additional Rs 500 crore is likely to be borrowed within the next few days, the Chairman of CCI is quoted to have stated.

Disbursals under TUFS Nearing Rs 55,000 Cr.

According to the data available from the office of the Textile Commissioner, the total disbursals under the Technology Upgradation Fund Scheme (TUFS) have come to Rs 54,743 crore up to the end of December 2008. The scheme was launched on 1st April 1999 but was under suspension from March to November 2007. The details are given below.

1	No. of Applications received	22,933
2	Total Cost of the Projects for which applications were submitted (Rs Cr)	1,51,563
3.	No of Applications sanctioned	22,771
4.	Cost of projects sanctioned (Rs Cr)	1,49,747
5.	Amount sanctioned (Rs Cr)	66,619
6.	No.of Applications disbursed(Rs Cr)	22,633
7.	Amount disbursed (Rs Cr)	54,743

The Scheme really picked up only from 2004-05 and touched its peak in 2006-07 when as many as 12,336 applications were submitted by the textile industry. The disbursement during that year came to Rs 26,605 crore, nearly half the total during the last ten years.

The year 2006-07 was quite a favourable year for the industry when the production cost of yarn and downstream textile products was lower and the demand was much better. Mills were therefore quite enthused to embark on expansion and modernisation projects. Also, the original tenure of the scheme was due to expire on 31st March 2007 and mills were keen to avail of the advantage of the scheme before its expiry. The progress under the scheme during the last five years has been as under.

(Amount in Rs)

Year	Applications Received No.	Project Cost	Applications Sanctined No	Sanctined Amount	Applications Distursed No.	Distursed Amount
2004-2005	986	7941	986	2990	801	1757
2005-2006	1086	16194	1078	6776	993	3962
2006-2007	12336	61063	12589	29073	13168	26605
2007-2008	2408	21254	2260	8058	2207	6854
2008-2009	3158	25953	3149	12401	3165	10364
(Apr.-Dec.)						

World Cotton Prices to be 5 percent Higher in 2009-10 - ICAC Forecast

The international Cotton Advisory Committee (ICAC) has forecast a 5 percent increase in the average world cotton prices during the ensuing season, 2009-10. The season -average Cotlook A Index as per ICAC forecast, is placed at 63 US cents (USC) per pound during 2009-10 as against 60 USC per pound in 2008-09. It is stated that the Index for 2008-09 has been arrived at after taking into account the expected significant increase in the stocks -to - mills use ratio in the World excluding China, and the average Cotlook A Index between August 2008 and March 2009. In arriving at the average Index for 2009-10, ICAC has taken into consideration an expected stable stocks-to-mill use ratio in the World-less-China and higher expected imports by China. Given the gloomy economic outlook projected by most forecasting agencies for 2009 and 2010, the Secretariat of ICAC believes that the 2009-10 season-average Cotlook A Index is more likely to range between 56 and 63 USC per pound. This is the first forecast of world cotton price for 2009-10 by ICAC.

ICAC expected a 3 percent fall in cotton area to 30.17 million hectares in 2009-10 from 31.01 million hectares in 2008-09. It is stated that decreasing returns from cotton in some countries, more attractive prices for competing crops, and expected difficulties in financing inputs are persuading farmers to plant less area under cotton. The main fall in area from 6.32 million hectare to 5.75 million hectares next year is expected in China while a slight increase from this year's 9.37 million hectares to 9.47 million hectares is projected for India. No change in area is expected in US and Pakistan.

World cotton production has been declining for the last three years. This downtrend is expected to continue in 2009-10 also stated ICAC. Thus, world production may be lower at 23.57 million



tones (mt) in 2009-10 as compared to this year's estimated 23.7mt. The fall is mostly confined to China whose production is projected to come down to 7.47 mt from this year's 8.03 mt. Indian crop is, however, expected to be higher at 5.36 mt as against 4.93 mt this year. In the case of US, production had registered a steep 32 percent fall in 2008-09 to 2.84 mt from the previous year's 4.18 mt. However, the crop in 2009-10 is now projected to be marginally higher at 2.98 mt. No change is visualised in the case of Pakistan crop.

After a marked decline of 10 percent in 2008-09, world cotton mill use is expected to be stable at 23.7 mt next year. This projection by ICAC is based on the expectation of a slight recovery in world economic growth in 2010. While mill consumption may be marginally higher during 2009-10 in China, India and Pakistan, the decline witnessed in recent years in smaller consuming countries is expected to continue, states ICAC.

World cotton trade had shrunk by a sharp 25 percent in 2008-09 to 6.2 mt as compared to 8.3 mt in the previous year. According to ICAC, the trade is likely to recover to 7.3 mt in 2009-10 based mainly on an expected rebound in imports by China from this year's 1.5 mt to 2.1 mt next year. However, there is a question mark over next year's Chinese imports as it is not known whether the Chinese Government will release its huge stock of around 2.7 mt this year onto the market soon. If some of the stored cotton is released, it may significantly reduce the need for imports by Chinese mills, states ICAC.

The World cotton balance sheet for 2008-09 and 2009-10, as drawn up by the ICAC, is given below.

World Cotton Supply and Demand (in mn. tonnes)		
	2008-09	2009-10
Beginning Stock	12.50	12.58
Production	23.70	23.57
Consumption	23.62	23.66
Exports	6.18	7.27
Ending Stock	12.58	12.49

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 April 2009					
						11th	13th	14th	15th	16th	17th
01.	ICS-101	Below 20mm	Bengal Deshi(RG)	5.0-7.0	20	H	22200	M A	-	-	-
02.	ICS-201	Below 20mm	Bengal Deshi(SG)	5.0-7.0	20	O	23100	R K	-	-	-
03.	ICS-102	22mm	V-797	4.5-5.9	22	L	17000	E	-	-	-
04.	ICS-103	22mm	Jayadhar	4.0-5.5	23		18300	T	-	-	-
05.	ICS-104	24mm	Y-1	4.0-5.5	25	I	20700		-	-	-
06.	ICS-202	26mm	J-34 (SG)	3.5-4.9	25		22600		-	-	-
07.	ICS-105	27mm	J-34 (RG)	3.5-4.9	26	D	23200	C	-	-	-
08.	ICS-106	28mm	H-4/ MECH-1	3.5-4.9	28		21600	L	-	-	-
09.	ICS-107	29mm	S-6	3.5-4.9	28	A	23000	O	-	-	-
10.	ICS-108	30mm	Bunny/ Brahma	3.5-4.9	29	Y	23000	S E	-	-	-
11.	ICS-109	32mm	MCU-5	3.3-4.5	29		23500	D	-	-	-
12.	ICS-110	34mm	DCH-32	2.8-3.6	33		32100		-	-	-

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 April 2009					
						11th	13th	14th	15th	16th	17th
01.	ICS-101	Below 22mm	Bengal Deshi(RG) / Assam Comilla	5.0-7.0	15	H	-	M A	22200	22200	22200
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0	15	O	-	R K	23100	23100	23100
03.	ICS-102	22mm	V-797	4.5-5.9	19	L	-	E	16900	16500	16300
04.	ICS-103	23mm	Jayadhar	4.0-5.5	19		-	T	18300	18300	18300
05.	ICS-104	24mm	Y-1	4.0-5.5	20	I	-		20700	20700	20700
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9	23		-		22600	22600	22600
07.	ICS-105	25mm	NHH-44	3.5-4.9	22	D	-	C	20300	20200	20200
08.	ICS-105	27mm	LRA-5166	3.5-4.9	24			L	20900	20700	20700
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	A	-	O S	21400	21200	21200
10.	ICS-105	29mm	S-6	3.5-4.9	26	Y	-	E	22800	22500	22300
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27		-	D	22900	22900	22900
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28		-		23500	23500	23500
13.	ICS-107	35mm	DCH-32	2.8-3.6	31		-		32100	32100	32100
14.	ICS-301	26mm	ICC	3.7-4.3	25		-		21400	21300	21900