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Cotton Statistics And News

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Association Makes Downward Revision of Cotton Production Estimate

Taking into account the actual ground situation and other relevant factors, the Association has recently made a downward revision of its cotton production estimate for the current season. As against the estimate of 296.75 lakh bales made in April, the Association's current estimate of the crop is 4.25 lakh bales lower at 292.50 lakh bales.

The Cotton Advisory Board at its meeting held in February had estimated the crop at 290 lakh bales. The main reason for the Association downsizing the crop now is the lower-than-expected arrivals in several States like Gujarat, Maharashtra, Madhya Pradesh, Andhra Pradesh, Karnataka and Tamil Nadu.

The crop in the north zone was earlier placed at 42 lakh bales but now it is expected that production may be lower at 39 lakh bales. As against the earlier estimate of 172 lakh bales in the Central zone, the crop is now placed at 170.75 lakh bales. However, in the south zone, the production is now projected slightly higher at 66.25 lakh bales as against the previous estimate of 65.75 lakh bales. A slight reduction from two lakh bales to 1.5 lakh bales has been made in the case of production in the other States. The loose cotton estimate has been retained at the earlier level of 15 lakh bales.

According to the data gathered by the Association, the total arrivals up to the end of April have amounted to 280.50 lakh bales. The zone-wise arrivals have been 38.25 lakh bales in

the north, 165 lakh bales in the Central and 60.75 lakh bales in the south zones. Arrivals in the other states amount to 1.5 lakh bales and loose production to 15 lakh bales.

The Association envisages the total supply this year to be 345.50 lakh bales, comprising of opening stock at 43 lakh bales, production at 292.50 lakh bales and import of 10 lakh bales. On the demand side, the mill consumption is expected to be 200 lakh bales, consumption by small scale units 20 lakh bales, non-mill use 15 lakh bales and exports 40 lakh bales, adding up to a total demand of 275 lakh bales. This would leave the carry-over stock at 70.50 lakh bales, about 27.50 lakh bales higher than the opening stock of 43 lakh bales.

On the export side, the situation has not shown an significant change. The data compiled by the office of the Textile Commissioner show that the total registrations have been 23.65 lakh bales between August 2008 and April 2009 while the actual shipments are expected to be only 12.01 lakh bales. Exports seem to have slowed down further with shipments during April being only 43,145 bales.

With exports not gaining any momentum, the Association feels that the actual shipments during the year may be even lower than the projected 40 lakh bales, in which case the carry-over stock may be significantly higher than the 70.50 lakh bales estimated now.

Cotton Consumption by Mills Declines in 2008-09

Consumption of cotton by mills has been consistently on the rise till 2007-08. The relevant data for the five years ending 2007-08 are given below.

Year	Cotton Mill Consumption (lakh bales)
2003-04	150.39
2004-05	163.98
2005-06	180.10
2006-07	194.91
2007-08	195.73

The above data show that mill consumption between 2003-04 and 2007-08 went up by 30 percent. The trend has however, been reversed in 2008-09, according to the data available for the four months from October 2008 to January 2009. The monthly consumption during these four months in 2007-08 and 2008-09 has been as under:

Month	Mill Consumption (lakh bales)	
	2007-08	2008-09
October	16.40	14.77
November	15.20	15.18
December	16.91	16.08
January	16.69	15.39
	65.20	61.42

The fall in consumption during the first four months has come to 3.78 lakh bales or about 5.8 percent. More than one factor has been responsible for this decline. One of the major ones is the recession in demand both in India and abroad. The textile industry is among the worst affected by the country's economic slowdown and the global financial crisis. Not only has the overall textile activity come down but several mills have also been forced to curtail their output while some have downed their shutters.

Along with this adverse factor has been the steep hike in the minimum support prices for cotton announced in September 2008. This has pushed up cotton prices in the domestic market considerably, further escalating the production cost of yarn and downstream textile products bringing about consumer resistance. It is to be seen whether there will be a recovery in the economic growth and improvement in the situation in the coming months. The Cotton Advisory Board has estimated the mill consumption of cotton at 195 lakh bales this year compared to 203 lakh bales last year.

No Significant increase in Cotton Area in Punjab

According to the Agriculture Department of Punjab, the State does not expect any significant increase in cotton area during the ongoing kharif season. Farmers are said to be still wary of attack by mealy bugs which had been pulling down cotton yields in recent years. The State has fixed a target of 5.5 lakh hectares to be brought under cotton this year with an expected output of 23.10 lakh bales, it is stated. The area covered in 2008-09 was 5.37 lakh hectares and the estimated production 17.50 lakh bales.

NAFED to sell Cotton at a lower price than MSP

The Government has reportedly allowed that National Agricultural Cooperative Marketing Federation (NAFED) to sell cotton at a price lower than the minimum support price. This is expected to help NAFED in disposing of its heavy cotton stock of which about a million bales are said to be lying in the open in Maharashtra for want of storage space. The present permission to sell at rates lower than MSP, would entail an additional subsidy of Rs 50 crore to NAFED.

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ICAC Makes a Comprehensive Review of World Cotton Market Trends

Making a review of the world cotton market trends until 2006-07 and then in 2007-08 and 2008-09, the International Cotton Advisory Committee (ICAC) states that the world cotton market has recently been affected by three crises: a global commodity price crisis, a crisis in the cotton futures market and a global financial and economic crisis. These crises are said to be still unfolding and it is difficult at this stage to draw an accurate picture of their full impact on the cotton sector. Highlights of ICAC article based on its review are mentioned below.

World cotton mill use and production almost tripled from 9 million tonnes in the early 1950s to over 25 million tonnes in the mid 2000s. Global population and economic growth over this period are the main factors explaining the increase in cotton mill use. In the case of production, the long term increase resulted from gains in yields, while world cotton area remained in the range of 29-36 million hectares. World cotton trade increased from 3 million tonnes to over 8 million tonnes over period, but its share of world production and consumption has remained around one-third. World cotton stocks increased alongside production and consumption, their share of global mill use fluctuating around the long term average of 48 percent.

As for prices, the ICAC states that real cotton prices have followed a long term declining trend, driven by increasing agricultural productivity on the supply side and competition with chemical fibres on the demand side. The world cotton yield rose from 234 kg per hectare in 1950-51 to 795 kg per hectare in 2007-08. Cotton's share of the global fibre market at the end-use level declined from 68 percent in 1960 to 37 percent in 2008, to benefit other, mostly chemical, fibres.

Between 1998-99 and 2006-07, actual cotton prices stabilised between 50 and 60 US cents per pound, lower than the historical average of 74 US cents per pound. This coincided with a period of sharp increase in global cotton mill use, production and trade, but also with a period of mostly increasing stocks by the world-less China, whereas Chinese stocks were declining. Cotton mill use during this period was boosted by fast economic growth,

particularly in emerging economies, and also by an expansion in global trade of textiles and clothing following the elimination of quotas under the Multifibre Agreement at the beginning of 2005. Year-to-Year increases in the world cotton yield were higher than average, benefiting early in the period from an expansion of cotton area to productive regions, and later from an expansion of biotech cotton area in India.

Coming to the latest two years, ICAC review points out that world cotton production declined by 2 percent to 26.2 mt in 2007-08 due to a fall in cotton area whereas world cotton yield climbed to a record 795 kg per hectare. Production declined significantly in countries like US, Pakistan, Turkey and Australia but set new records in China, India and Brazil. With cotton mill use estimated to be stable at 26.3 mt, world ending stocks declined slightly to 12.5 mt. World cotton trade was, however, slightly larger than in 2006-07 at around 8.3 mt or 32 percent of world production. In the case of prices, there was a spurt in 2007-08 with the season-average Cotlook A Index jumping by 23 percent to 73 USC per pound.

The decline in world cotton production continued in 2008-09 when it touched 23.7 mt, the smallest crop since 2003-04. The fall was principally due to a six percent drop in cotton area for the second successive season. The world average yield also suffered a 4 percent decline to 764 kg per hectare, mainly due to unfavourable weather. Several leading countries witnessed a fall in production led by US where it was down by more than 1.3 mt. Production was also lower in China, India, Uzbekistan and Turkey but slightly higher in Pakistan. Significantly, world cotton mill use, for the first time in a decade, is estimated to fall by 10 percent to 23.6 mt, leading to a slight increase in closing stock accounting for 53 percent of world cotton mill use. Consequent to the decline in demand from importing countries, world cotton trade in 2008-09 is projected sharply down to 6.2 mt, the smallest volume since 2000-01. A sharp 18 percent fall to 60 USC per pound is projected in the case of Cotlook A Index owing to an expected increase in the stocks-to-mill use ratio in the World-less-China.

(To be continued....)

