

Weekly  
Publication of



**Cotton  
Association  
of India**

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Regd.No.MH/MR/EAST/96/2009-11

Registered with the Registrar of Newspapers for India under R.No.18844/69

Published every Tuesday

Price: Rs.30 per copy

# Cotton Statistics And News

2009 \* No. 16 \* 21/07/2009

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## **World Cotton Prices May be Slightly Lower Next Year - ICAC**

The emerging world cotton scenario during the coming season, as per the latest release of the International Cotton Advisory Committee (ICAC) is that while production may be around the same as this year, consumption may be marginally higher. World cotton trade is also expected to be slightly higher while ending stock may be just above this year's level. The expectation is that world cotton prices may move marginally down next year.

ICAC has projected next year's cotton production to be 23.45 million tonnes (mt) as against the current year's estimated crop of 23.49 mt. Production in China is expected to decline by about 7 percent to 7.5 mt next year because of a lower planted cotton area due to decrease in net returns to cotton producers this year. The next three leading producers may see increase in production, with Indian production expected to go up by 9 percent to 5.4 mt, American crop to be higher by 6 percent at 3 mt and that of Pakistan also going up by 6 percent to 2.1 mt. Australian crop is projected to jump by 36 percent to 4,27,000 tonnes whereas significant declines are forecast for Turkey, Brazil and CFA zone.

The projected mill use of cotton next year is 23.43 mt, slightly above this year's projected consumption of 22.97 mt. ICAC expects a 3 percent increase to 9.3 mt in Chinese mill use, recovering from a sharp drop in 2008-09 to 9.0 mt. While consumption is expected to continue to decline in North America, increases are forecast in countries like India and Pakistan

with the result that there may be an overall increase of one percent to 14.2 mt in consumption in countries outside China.

World cotton trade is expected to post a slight increase next year to 6.53 mt compared to an estimated 6.19 mt this year. Despite a projected gap of 1.8 mt between production and consumption, Chinese imports are expected to increase only slightly to 1.5 mt next year from this year's 1.4 mt. The Chinese Government reportedly added 2.7 mt from the 2008-09 crop to its existing national reserve but during May-June, the Chinese Government is stated to have sold 4,95,000 mt from the national reserve to the domestic mills. The auctions, it is stated are expected to continue till the arrival of the new crop, and could therefore affect imports by China next year. The Chinese Government is expected to release the customary annual import quota of 8,94,000 tonnes, which attracts only a low import duty of one percent, in January 2010. It is not known when and what quantity of import quotas will be released later. Stocks in China are expected to decline by 10 percent in 2009-10 to 3.4 mt. Imports by Bangladesh and Turkey are expected to increase to 6,70,000 tonnes and 6,30,000 tonnes respectively, while imports by Pakistan may be up at 5,50,000 tonnes.

Exports from India are forecast to increase significantly to 1.0 mt while exports from US may decline next year. After touching a high of 45 percent in 2008-09, the share of US in world

cotton exports is expected to decline to 37 percent next year.

World cotton stocks are estimated to be about 12.91 mt next year, a marginal increase from this year's estimated 12.88 mt.

ICAC has forecast the Cotlook A Index to average to 60 US cents per pound this year. Based on this and an expected increase in the stocks-to-mill use ratio in World-less-China, ICAC has forecast a slight fall in the Cotlook A Index to 56 USC per pound in 2009-10.

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

	(In mn. tonnes )	
	2008-09	2009-10
Beginning Stock	12.35	12.88
Production	23.49	23.45
Supply	35.84	36.33
Consumption	22.97	23.43
Exports	6.19	6.53
Ending Stock	12.88	12.91

### Mini Missions III and IV under TMC Accomplish their Mission

According to the latest data available from government sources, the two Mini Missions, MM III and MM IV under the Technology Mission on Cotton (TMC) have accomplished their assigned tasks. The main achievements under MM III, entrusted with the improvement of marketing infrastructure have reportedly been as under:

	No. of Projects	Project Cost (Rs./Cr)	GOI Share (Rs./Cr)
Activation of Market Yard	15	9.11	3.75
Improvement of Market yard	164	285.80	144.63
New Market Yard	71	196.39	105.60
	250	491.30	253.98

The improvements effected in the market yards included provision of pucca platforms, pucca roads, parking place, weighbridges, godowns, fire fighting equipments, grading facilities and farmers' information centres. These led to proper auction and tender of raw cotton, maintenance of proper records, cleanliness in market yards, increased interest of farmers to bring cotton to market yards, reduction in contamination, orderly cotton procurement without any malpractice and timely payment of farmers.

In the case of MM-IV, entrusted with the task of modernisation of ginning and pressing factories, the achievements are claimed to have been as under:

Total No.of Projects	- 993 out of 1000 targetted
Total Project cost (Rs.Cr)	- 1448.68
GOI share (Rs.Cr)	- 227.07

The main activities in modernisation of factories have been to reduce trash content, to avert contamination, to minimise fibre damage, to improve overall fibre quality combining ginning and bale pressing, bale testing facilities. The essential machinery in the modernised factories are said to be double roller saw gins, pneumatic transfer of kapas, rails delivery of seed cotton to 24 DR gins, lint cleaners, trash cleaners and bale presses. The State-wise break up of factories modernised are as under:

State	No.of Factories Modernised
Punjab	26
Haryana	8
Rajasthan	11
Madhya Pradesh	61
Gujarat	527
Maharashtra	310
Andhra Pradesh	27
Karnataka	13
Tamil Nadu	2
Orissa	7
Diu (U.T)	1
	993

The ultimate benefit due to such large scale modernisation has been that the pressed bales have low and acceptable levels of trash and contamination and overall improvement in the image of Indian cotton in world markets. This has considerably helped in the export of cotton from India which touched 85 lakh bales in 2007-08 taking India to the second position among the world's cotton exporting countries.

## CCI and NAFED Buy 45 p.c. of Total Cotton Arrivals

With the cotton prices ruling below the current season's higher support prices, State agencies have been obliged to buy very large quantities of cotton at support prices. As per reports, the two agencies engaged in cotton procurement, viz, Cotton Corporation of India (CCI) and National Agriculture Cooperative Marketing Federation (NAFED) have mopped up around 127 lakh bales which is about 45 percent of the total market arrivals of about 284 lakh bales. While CCI made the largest purchases, NAFED's procurement has also been sizable. The State-wise procurement by these agencies, as per figures reported to have been given by the Union Minister of State for Agriculture are given below:

State	(in lakh bales)	
	CCI	NAFED
Maharashtra	19.97	35.21
Andhra Pradesh	32.77	1.34
Gujarat	12.36	1.17
Punjab	10.43	-
Haryana	2.58	-
Rajasthan	1.55	-
Madhya Pradesh	7.36	-
Karnataka	1.62	-
Orissa	0.71	-
<b>Total</b>	<b>89.35</b>	<b>37.72</b>

### SUPPLY AND DISTRIBUTION OF COTTON

July, 1 2009

Years Beginning August 1	Million Metric Tons					
	2005	2006	2007Est.	2008Proj.	2009Proj.	2010proj.
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>11.627</b>	<b>12.315</b>	<b>12.706</b>	<b>12.354</b>	12.88	12.91
China(Mainland)	2.622	3.991	3.653	3.321	3.75	3.39
USA	1.196	1.321	2.064	2.187	<b>1.44</b>	<b>1.26</b>
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>25.639</b>	<b>26.718</b>	<b>26.171</b>	<b>23.489</b>	<b>23.45</b>	<b>22.38</b>
China (Mainland)	6.616	7.975	8.071	8.025	7.47	7.10
India	4.097	4.760	5.355	4.930	5.38	5.22
USA	5.201	4.700	4.182	2.790	2.97	2.70
Pakistan	2.194	2.147	1.894	1.960	2.08	1.99
Brazil	1.038	1.524	1.602	1.191	1.12	1.07
Uzbekistan	1.210	1.171	1.206	1.070	1.03	0.99
Others	5.283	4.441	3.861	3.522	3.40	3.32
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>24.949</b>	<b>26.358</b>	<b>26.315</b>	<b>22.970</b>	<b>23.43</b>	<b>23.48</b>
China (Mainland)	9.439	10.600	10.900	9.000	9.27	9.39
India	3.655	3.908	3.986	3.767	3.96	4.02
Pakistan	2.532	2.633	2.637	2.426	2.52	2.57
EU, C.Eur. & Turkey	2.112	2.080	1.746	1.373	1.32	1.25
East Asia & Australia	1.885	1.872	1.823	1.671	1.65	1.64
USA	1.278	1.074	0.999	0.773	0.75	0.72
Brazil	0.973	1.000	1.033	0.961	0.96	0.93
CIS	0.633	0.682	0.664	0.601	0.59	0.58
Others	2.441	2.509	2.527	2.399	2.40	2.38
<b>TRADE IMBALANCE 1/</b>	<b>-0.126</b>	<b>0.026</b>	<b>-0.067</b>	<b>0.006</b>	<b>0.00</b>	<b>0.00</b>
<b>STOCKS ADJUSTMENT 2/</b>	<b>0.123</b>	<b>0.005</b>	<b>-0.141</b>	<b>0.000</b>	<b>0.00</b>	<b>0.00</b>
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>12.315</b>	<b>12.706</b>	<b>12.354</b>	<b>12.879</b>	<b>12.91</b>	<b>11.81</b>
China (Mainland)	3.991	3.653	3.321	3.745	3.39	3.30
USA	1.321	2.064	2.187	1.440	1.26	1.00
<b>ENDING STOCKS/MILL USE (%)</b>						
<b>WORLD-LESS-CHINA(M) 3/</b>	<b>54</b>	<b>57</b>	<b>59</b>	<b>65</b>	<b>67</b>	<b>60</b>
<b>CHINA (MAINLAND) 4/</b>	<b>42</b>	<b>34</b>	<b>30</b>	<b>42</b>	<b>37</b>	<b>35</b>
<b>Cotlook A Index 5/</b>	<b>56.15</b>	<b>59.15</b>	<b>72.90</b>	<b>60*</b>	<b>56**</b>	

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ World-less-China (Mainland) ending stocks divided by world-less-China (Mainland)'s mill use, multiplied by 100.

4/ China (Mainland)'s ending stocks divided by China (Mainland)'s mill use, multiplied by 100.

5/ U.S.Cents per pound

\* The price projection for 2008-09 is based on the ending stocks/consumption ratio in the world-less-China(mainland) in 2006-07, in 2007(estimate), and in 2008-09 (projection), on the ratio of Chinese net imports to world imports in 2007-08 (estimate) and 2008-09 (projection) and on the average price for the first eleven months of 2008-09.

95% confidence interval: 61 to 74 cents per pound

\*\* The price projection for 2009-10 is based on the ending stock/consumption ratio in the world-less-China (Mainland) in 2007-08 (estimate) in 2008-09 (projection), and in 2009-10 (projection), and on the ratio of Chinese net imports to world imports in 2008-09 (projection) and 2009-10 (projection) 95% confidence interval : 44 to 61 cents per pound.

## S N I P P E T S

The Governments's pre-Budget economic survey has predicted the economy to grow 7 percent in 2008-09. It has reportedly made a number of radical policy suggestions including abolition and phasing out of fringe benefit tax as well as surcharges and ceases, and amendment of Factories Act to increase work week to 60 hours from 48 hours and daily limit to 12 hours.



India's merchandise exports contracted for the eighth successive month plunging 29.2 percent in May compared with a year ago. Total exports in May this year reportedly amounted to \$11.01 billion, down from \$ 15.5 billion in May last year. There was a steeper fall of 39.3 percent in imports also, it is reported.



The total turnover of 22 commodity exchanges in the country reportedly surged by 44 percent to Rs 12,87,708 crore during the current fiscal upto June 15, thanks to improved participation in agricultural commodities. Farm commodities are

stated to have contributed Rs 1,89,841 crore in the total turnover during the review period, which is 44 percent up from the same period last year, according to the Forward Markets Commission.



Pakistan Government has assigned Rs 40 billion export investment support fund to its textile industry, says a report. The fund is stated to have been announced to support the ailing textile export sector which is confronted with domestic and international problems.



India's economy is better rated than the USA, the world's largest economy in terms of their capabilities to tackle the raging financial turmoil. India has been ranked at the 13th position among 57 countries by Switzerland based Institute for being better equipped to tide over the crisis and emerge more competitive in the near term.



### 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					
					July 2009					
					11th	13th	14th	15th	16th	17th
01.	ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0 15	H	23300	23300	23300	23300	23300
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0 15	O	24000	24000	24000	24000	24000
03.	ICS-102	22mm	V-797	4.5-5.9 19	L	18200	18200	18300	18300	18300
04.	ICS-103	23mm	Jayadhar	4.0-5.5 19		18300	18300	18400	18400	18400
05.	ICS-104	24mm	Y-1	4.0-5.5 20	I	21400	21400	21500	21500	21500
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9 23		23200	23200	23200	23200	23200
07.	ICS-105	25mm	NHH-44	3.5-4.9 22	D	21400	21400	21500	21500	21500
08.	ICS-105	27mm	LRA-5166	3.5-4.9 24		21800	21800	21900	21900	21900
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9 25	A	22600	22600	22700	22700	22700
10.	ICS-105	29mm	S-6	3.5-4.9 26		24000	24000	24100	24100	24100
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27	Y	23600	23600	23700	23700	23700
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5 28		24100	24100	24200	24200	24200
13.	ICS-107	35mm	DCH-32	2.8-3 .6 31		33000	33000	33100	33100	33100
14.	ICS-301	26mm	ICC	3.7-4.3 25		22600	22600	22700	22700	22700