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Cotton Statistics And News

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Cotton Exports Plummet in July

Exports of raw cotton from the country had gained some momentum from February onwards with monthly shipments hovering between 3.5 lakh to 4.5 lakh bales. The expectation was that the tempo would be maintained during the remaining months of the season also. However, this expectation has been belied with shipments plummeting in July. The relevant data on export registrations and shipments as available from the office of the Textile Commissioner are given below :

Month	(In bales)	
	Quantity Registered	Quantity Shipped
August '08	43,231	36,305
September '08	9,686	7,924
October '08	1,76,900	29,397
November '08	3,02,888	3,21,784
December '08	1,57,155	1,92,790
January '09	2,60,172	2,59,622
February '09	4,28,030	3,53,616
March '09	5,50,026	4,62,121
April '09	3,19,488	3,02,727
May '09	5,23,011	3,36,967
June '09	3,60,118	3,96,660
July '09	1,21,368	22,547
Total	32,52,073	27,22,460

It will be seen that shipments during July were the second lowest during the last 12 months. Both registration and shipments were the highest during March this year but the monthly quantity shipped till June was only slightly lower. The fall in July had been very steep and the shipment was only a fraction of that in the previous month. The apparent reason for the fall seems to be the lack of demand for Indian cotton from the world textile industry. In fact, world cotton imports are placed lower at 6.36 million tonnes during 2008-09 by the International Cotton Advisory Committee (ICAC), a sharp decline of two million tonnes from imports of 8.32 mt. in 2007-08.

The total shipments upto July have come to only 27.2 lakh bales and even the registrations are below 33 lakh bales. In fact, reckoning from the commencement of the current season in October 2008, the actual shipments come to only 26.78 lakh bales. Since only two months are left before the end of the season, it appears doubtful if even the lowered estimated exports during 2008-09 of 35 lakh bales will be reached. A more reasonable figure seems to be around 30 lakh bales.



Turnaround in Business Sentiment - RBI Survey Finding

The Reserve Bank of India's (RBI) industrial outlook survey is reported to have suggested a turnaround in business sentiment. The macro-economic report on the survey was released recently on the eve of the first quarter monetary policy review.

The results of the survey by RBI are said to mirror the outcome of various other business expectation surveys conducted in the recent past. As in the case of these surveys, the RBI survey is also stated to have revealed that the earlier decline in overall business sentiment had reversed, suggesting a gradual return of optimism during the first two quarters of the current fiscal.

For the manufacturing companies in the private sector, the business expectation indices based on an assessment for April-June 2009 and on expectations for July-September 2009 improved sharply over the previous quarter, when the indices were at their lowest level, according to

the latest RBI survey. Also, for most of the indicators like production, order book position, especially utilisation and financial situation, the decline in sentiment is said to have been arrested and reversed.

The survey is reported to have indicated further that the price expectations showed that more companies are expecting rise in input and output prices as compared with the previous quarters. The outlook on raw material cost is said to appear to be complex, as 40.6 per cent of the respondents reported increase in price of raw materials against 37.2 per cent in the preceding quarter. Additionally, the share of companies expecting price increase has also rose to 35.8 per cent. Optimism level for selling prices i.e. increase in selling prices, for both assessment and expectations improved as compared with the last survey round mainly because of increase in the proportion of "no change in selling price", it is stated.

Weak Global Demand Brings Down Merchandise Exports by 28 p.c. in June

India's merchandise exports reportedly fell for the ninth month in a row due to weak global demand because of economic downturn. The latest trade data released by the Commerce Ministry is stated to indicate that exports in June dipped 27.7 per cent compared to June 2008. Exports during June this year are placed at \$12.8 billion as against \$17.7 billion in June 2008. For the first quarter from April to June of the current fiscal, the decline is placed at 31.3 per cent from \$35.4 billion in 2009-10.

In the case of imports also, there has been a fall both in June and the first quarter of 2009-10 compared to the corresponding periods of last year. Imports during June this year are stated to have been \$19.0 billion, a decline of 29.3 per cent compared to imports worth \$26.9 billion in June 2008. Imports for the first quarter of 2009-10 are placed at \$50.9 billion which means a decline of 36.5 per cent from imports worth \$80.2 billion during April-June 2008-09.

As the fall in imports is steeper than that in exports, the trade deficit in June 2009 is reported to have contracted to \$6.2 billion from \$9.1 billion in the same month of last year. Similarly, the trade deficit during the first quarter of this year is stated to have come down to \$15.5 billion from \$28.6 billion during the corresponding quarter of 2008-09.

The Director-General of the Federation of Indian Export Organisations (FIEO) is quoted to have stated that the declining trend is likely to continue for some more months. Commenting on the decline in foreign trade, the President of FICCI reportedly stated that the negative growth in exports since October 2008 is quite disturbing but the rate of fall has been coming down since March this year. He is quoted to have added that it is imperative that the forthcoming foreign trade policy addresses exporters' difficulties effectively to restore the momentum.

2008-09, A Season to Remember - ICAC

The 2008-09 cotton season had been quite a difficult one for most of the cotton segments in India and the cotton economy in general was affected adversely. The main reason was the steep hike in the Minimum Support Prices (MSP) which imparted a sharp bullish sentiment to market prices. Although the cotton growing sector did benefit from the high prices, most other segments like raw cotton processors, market service providers, consuming industry and raw cotton exporters were hit hard. The subdued demand for cotton and textile products owing to the world economic and financial crisis was another factor that made the 2008-09 cotton season unfavourable to the cotton economy in India.

At the global level also, 2008-09 cotton season, which ended in July, had been distinct. The International Cotton Advisory Committee (ICAC) has described it as a "season to remember". ICAC states that it was a noteworthy season for world cotton industry in many respects and at least eight elements made the season distinct. These have been listed by the ICAC as under :

- World cotton mill use declined for the first time in a decade, due to a drop in demand for textile products caused by the global economic and financial crisis. The drop is estimated at 13 per cent, the largest since World War II.
- World cotton area declined after a large increase in cotton prices during the preceding season. Cotton is stated to have remained less attractive for farmers than competing crops, partly due to higher production costs and partly due to less interesting prices.
- Production declined to the lowest levels in many years in a number of countries, including the United States, Turkey, Greece, Egypt, Peru and a few African countries.
- Production of extra-fine cotton dropped by 42 per cent to 4.3 lakh tonnes, the smallest crop in at least six decades.
- World cotton trade declined sharply by 24 per cent, the largest fall since World War II. While the drop in imports was driven by China and Pakistan, the drop in exports was led by India with US exports declining only slightly.
- The Cotlook A Index declined for the first time since 2004-05, from 11-year high of 73 US Cents (USC) per pound in 2007-08 to 61 USC in 2008-09, driven by increase in the stocks-to-mill use ratio in the World-less-China.
- International cotton prices were very volatile with Cotlook A Index fluctuating between 50 and 80 USC per pound during the season, the interval being equal to 50 per cent of the season average. The Index has not been as volatile in over 20 years.
- Government support to cotton farmers increased significantly with combined Government purchases in China, India and the United States at support prices accounting for 20 per cent of the 2008-09 crop.

As for the ensuing 2009-10 season, ICAC states that it is expected to be a season of modest recovery for the world cotton industry. The salient features expected of the season are mentioned to be as under :

- World cotton area is expected to continue to decline to 30.4 million hectares, the lowest since 2002-03.
- World cotton crop is forecast to be stable at 23.6 million tonnes with production increases expected in India, US, Pakistan and Australia being offset by declines in China, Brazil, Uzbekistan, Turkey, etc.
- World cotton mill use is expected to recover slightly to 23.5 mt., provided the world economic growth improves.
- World cotton trade is forecast to be 7 per cent higher at 6.8 mt., driven by an increase in imports by major consuming countries including China. Exports from India are expected to rebound strongly in 2009-10 to 1.4 mt.
- The season-average Cotlook A Index is expected to remain unchanged and is forecast to be 60 USC per pound, a marginal decline from the 2008-09 average of 61 USC.

S N I P P E T S

The commodity derivatives trading in the three national commodity exchanges reportedly recorded a 7.7 per cent increase in July. Total turnover of these exchanges, viz. Multi-commodity Exchange (MCX), National Commodity and Derivatives Exchange (NCDX) and National Multi Commodity Exchange (NMCE) is stated to have rose to Rs. 5,68,333 crore in July 2009 as compared to Rs. 5,27,727 crore in July last year. Significantly, total trade value of agri-commodities surged by a much higher rate of 61 per cent from Rs. 60,424 crore in July 2008 to Rs. 97,243 crore in July this year. The uncertainty of the monsoon rains reportedly boosted the futures trading in farm commodities.



Cotton crop in the Abohar district of Punjab is reported to have been infested by mealy bugs

which has damaged the crop. Since the pest has developed immunity to most insecticides, the experts in the State Agriculture Department are stated to be advocating preventive measures to check further damage to the crop. They are also said to be undertaking a survey to assess the damage.



Cotton area in Madhya Pradesh has crossed last year's levels, says a report quoting a senior official of the State Agriculture Department. Crop condition is also stated to be good. The Department thus expects the production to go up by at least 10 per cent compared to last year.



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 August 2009					
					8th	10th	11th	12th	13th	14th
01.	ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0 15		23300	23300	23300	23300	23300
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0 15	H	23800	23800	23800	23800	23800
03.	ICS-102	22mm	V-797	4.5-5.9 19	O	18300	18300	18300	18300	18300
04.	ICS-103	23mm	Jayadhar	4.0-5.5 19		18400	18400	18400	18200	18200
05.	ICS-104	24mm	Y-1	4.0-5.5 20	L	21500	21500	21500	21500	21500
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9 23		23100	23100	23100	23100	23100
07.	ICS-105	25mm	NHH-44	3.5-4.9 22	I	21500	21500	21500	21500	21500
08.	ICS-105	27mm	LRA-5166	3.5-4.9 24		21700	21700	21700	21700	21700
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9 25	D	22500	22600	22600	22500	22500
10.	ICS-105	29mm	S-6	3.5-4.9 26	A	23400	23500	23500	23500	23500
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27	Y	23500	23500	23500	23500	23500
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5 28		24200	24200	24200	24200	24200
13.	ICS-107	35mm	DCH-32	2.8-3.6 31		33100	33100	33100	33100	33100
14.	ICS-301	26mm	ICC	3.7-4.3 25		22400	22400	22400	22400	22400