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# Cotton Statistics And News

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## Government Policies Affect Global Cotton Trade and Prices - ICAC

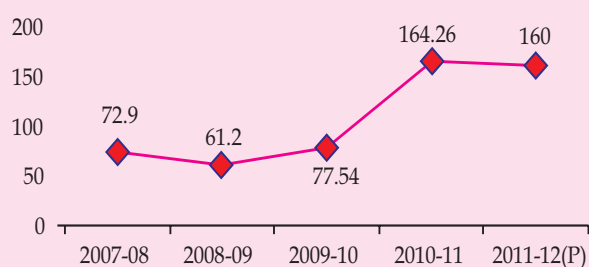
According to the International Cotton Advisory Committee (ICAC) global cotton trade and prices are affected to a large extent by Government policies in China, the largest importing country, and to a lesser extent by policies in India, the second largest exporting country.

It is stated that China accumulated over three million tonnes of domestic cotton and at least one million tonnes of foreign cotton in its national reserve during the first eight months of 2011-12. This accumulation boosted imports by China, which are now forecast at 4.2 million tonnes, or up by 61 percent from last season and accounting for half of 2011-12 world imports. Purchases of cotton for the Chinese reserve stopped at the end of March 2012. It is stated that it is unclear whether and when the Government will decide to auction some of this accumulated cotton. While the purchases supported both domestic and international prices this season, sales from the reserve could reduce Chinese imports and depress world cotton prices in the future, according to the ICAC.

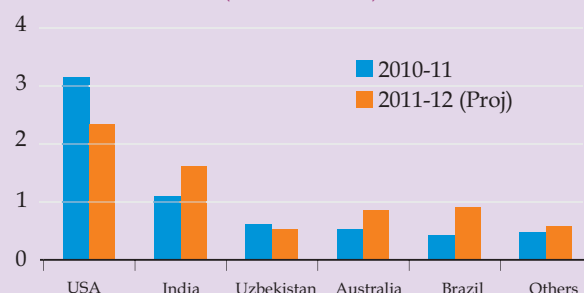
On the one hand, states the ICAC, the Indian Government imposed a sudden ban on exports starting on March 5, 2012 after seeing their exports jumping during the first half of 2011-12 of which a large part went to China. The ban initially included already registered contracts, but it was later announced that it excluded them. Indian cotton exports between August 2011 and the end of February 2012 were estimated at 1.6 million tonnes. The impact of India's export ban on international cotton prices was limited in March with the Cotlook A Index remaining around one dollar per pound (the ban has since been lifted).

Global cotton trade is expected to rise by 9 percent to 8.4 million tonnes in 2011-12, according to the ICAC. This would be the largest volume in four years and is driven by near record imports from China. Exports from the United States are down 25 percent to 2.3 million tonnes due to reduced exportable supplies whereas exports from India, Brazil and Australia could reach record levels of 1.6 mt, 900,000 tonnes and 860,000 tonnes respectively, states the ICAC.

Cotlook A Index (US cents per pound)



Cotton Exports by Major countries (Mn. tonnes)



With global production exceeding global consumption in 2011-12, global cotton stocks are expected to rebound by 41 percent to 13.1 mt in 2011-12. However, two-thirds of the increase in global stocks is taking place in China, as a result of their stockpiling policy. By the end of this season, China may hold 36 percent of global stocks, and its national reserve an estimated 25 to 30 percent. If the expected amount in the China national reserve is subtracted from global stocks, the remaining stocks may increase by only five percent to 9.4 mt this season. ICAC states that the size of the Chinese national reserve creates significant uncertainty in the global cotton market for months and may be years to come.

Cotton plantings for 2012-13 are stated to have started in March 2012 and are now progressing in many countries of the northern hemisphere. According to the ICAC, world cotton area in 2012-13 is expected to decrease by five percent to 34.2 million hectares in response to lower prices. However, the reduction in cotton area is modest relative to the extent of the fall in prices since last year. The average Cotlook A Index was down by 57 percent in March 2012 compared to March 2011. Higher-than-average cotton prices, weather, and support price policies are said to be the main factors preventing a sharper drop in cotton area in 2012-13. Cotton area may even increase in some countries. Based on average yields, world production could decline by 6 percent to 25.5 mt, according to ICAC.

After two seasons of decline, global cotton mill use

is projected to increase by 4 percent to 24 mt in 2012-13, driven by improving economic growth and lower cotton prices. It is stated that production will exceed consumption again and global stocks could rise by 11 percent to 14.6 mt, or 61 percent of global mill use. The projected accumulation of cotton stocks will weigh on international cotton prices in 2012-13, but the extent of this downward pressure will depend, in large part, on how the Chinese national reserve is handled, states the ICAC.

*(Source: ICAC Monthly -April 2012)*

### CAB Estimation

The Cotton Advisory Board at its third meeting held on 18th April 2012 has made upward revision in 2011-12 crop to 347 lakh bales as against earlier estimate of 345 lakh bales. The closing stock for 2011-12 is now revised to 25.10 lakh bales mainly due to record exports of 115 lakh bales.

According to CAB, exports last year i.e.2010-11 have been pegged at 78 lakh bales against 68.8 lakh bales fixed at last CAB. The higher exports was based on actual physical exports data received from Commerce Ministry. In view of this, the closing stock of last season has now been put at 39.1 lakh bales against 48.3 lakh bales.

*(The detailed report in next week)*

## Maharashtra Announces Capital Subsidy to New Textile Units in Marathwada, Vidharbha and North Maharashtra

The Government of Maharashtra has announced a Textile Policy 2011-2017 under which it will give 10 per cent capital subsidy on the eligible capital investment to the new Textile Units approved under the Centrally sponsored TUF Scheme and set up in Marathwada, Vidharbha and North Maharashtra. Some of the salient features of the Policy are given below:

- 10 per cent capital subsidy of the eligible capital investment will be given to new units to be set up in the above three regions. "Eligible capital investment" means an investment which is eligible for interest subsidy under Centrally sponsored TUF Scheme.
- For the said capital subsidy, the original project cost eligible for interest subsidy under the TUF Scheme only shall be considered. The benefit of 10

per cent subsidy will not be admissible to any increase in the original project cost. The subsidy shall be in addition to all the benefits available under the new Textile Policy of the State.

- Projects of Marathwada, Vidharbha and North Maharashtra sanctioned and set up under the TUF Scheme within the period of the issuing date of this Government Resolution to 31st March 2017 will only be eligible of the 10 per cent capital subsidy. Also, projects under Private or Co-operative Sector as indicated above in the three said tracts will be eligible for the subsidy. Projects of textile units which were sanctioned by Banks before the date of issuing this Government Resolution shall not be eligible for the subsidy now announced.

*(continued at Page No.3...)*

● This subsidy scheme shall be reviewed by the Government on discontinuation of TUF Scheme or at any other time without affecting liabilities committed till then. The projects of textile units will be eligible for the capital subsidy after they are completed and the units come to production. The subsidy scheme will not be applicable to projects of modernisation/rehabilitation/expansion of existing textile units.

● A number of financial institutions and Banks have been designated as nodal agencies under the

Centrally sponsored TUF Scheme. They are also allowed to co-opt other financial institutions and Banks. On similar lines, these agencies and co-opted Banks/financial institutions will work under the State sponsored scheme. These agencies shall submit subsidy proposal directly to the Director (Textile). The co-opted Institutions/Banks shall submit subsidy proposal through their nodal agencies to the Director (Textile) who will submit proposals to the State Government for release of funds.

### SUPPLY AND DISTRIBUTION OF COTTON

April 02, 2012

Seasons begin on August 1	Million Metric Tons					
	2007/08	2008/09	2009/10	2010/11 Est.	2011/12 Proj.	2012/13 Proj.
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>12.810</b>	<b>12.254</b>	<b>11.929</b>	<b>8.696</b>	<b>9.302</b>	<b>13.13</b>
China (Mainland)	3.653	3.321	3.585	2.780	2.165	4.74
USA	2.064	2.188	1.380	0.642	0.566	0.88
<b>PRODUCTION*</b>						
<b>WORLD TOTAL</b>	<b>26.073</b>	<b>23.455</b>	<b>22.170</b>	<b>25.101</b>	<b>26.964</b>	<b>25.47</b>
China (Mainland)	8.071	8.025	6.925	6.400	7.400	6.42
India	5.219	4.930	5.185	5.763	5.695	5.67
USA	4.182	2.790	2.654	3.942	3.387	3.77
Brazil	1.602	1.214	1.194	1.960	2.001	1.80
Pakistan	1.900	1.926	2.070	1.907	2.350	2.10
Uzbekistan	1.206	1.000	0.850	0.910	0.880	0.86
Others	3.894	3.569	3.292	4.220	5.251	4.84
<b>CONSUMPTION*</b>						
<b>WORLD TOTAL</b>	<b>26.637</b>	<b>23.782</b>	<b>25.364</b>	<b>24.495</b>	<b>23.138</b>	<b>23.96</b>
China (Mainland)	10.900	9.265	10.099	9.594	9.018	9.38
India	4.053	3.872	4.300	4.483	4.259	4.56
Pakistan	2.649	2.519	2.393	2.200	2.222	2.33
East Asia & Australia	1.829	1.674	1.856	1.754	1.619	1.63
Europe & Turkey	1.744	1.409	1.550	1.487	1.437	1.46
Brazil	0.993	1.000	1.024	0.964	0.900	0.90
USA	0.998	0.771	0.773	0.849	0.740	0.70
CIS	0.664	0.596	0.605	0.576	0.563	0.57
Others	2.807	2.676	2.764	2.588	2.380	2.44
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>12.254</b>	<b>11.929</b>	<b>8.696</b>	<b>9.302</b>	<b>13.128</b>	<b>14.63</b>
China (Mainland)	3.321	3.585	2.780	2.165	4.737	5.21
USA	2.188	1.380	0.642	0.566	0.875	1.31
<b>ENDING STOCKS/MILL USE (%)</b>						
<b>WORLD-LESS-CHINA(M) 3/</b>	<b>57</b>	<b>57</b>	<b>39</b>	<b>48</b>	<b>59</b>	<b>65</b>
<b>CHINA (MAINLAND) 4/</b>	<b>30</b>	<b>39</b>	<b>28</b>	<b>23</b>	<b>53</b>	<b>56</b>
<b>Cotlook A Index 5/</b>	<b>72.90</b>	<b>61.20</b>	<b>77.54</b>	<b>164.26</b>	<b>106**</b>	

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

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

5/ U.S. Cents per pound

\* Turkey's production and consumption estimates are currently under review within the Secretariat.

\*\* Average for the first eight months of 2011/12 (August to March 2012).

(Source : ICAC Monthly April 2012)

## SNIPPETS

For the first time in three years, the Reserve Bank of India has reportedly announced a sharp cut in Repo Rate (the rate at which it lends to Banks) by 0.50 percent to 8 percent so as to bring down banks' lending rates to customers. It is expected that this step would help in investment revival and contribute to strengthening of business sentiments, the Union Finance Minister is quoted to have stated.



India's exports for the last year (April 2011 to March 2012) have registered a growth of 21

percent. During the same period the imports registered a growth of 32.1 percent and a balance of Trade stood at US \$ (-)184.9 billion. During April 2011-March 2012, the engineering sector registered the growth of 16.9%; petroleum & oil products, 38.5%; Gems & Jewellery registered the growth of 13.3%; Drugs and pharmaceuticals 21.9%; leather 22.5%; electronics, 9.2%; Cotton yarn and fabric made-up 17.4%. Readymade garments yarns and fabrics, 18%, Manmade yarns and fabrics 18.5%; Marine products 31.4%.



## UPCOUNTRY SPOT RATES

(Rs./Qtl)

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) 2011-12 CROP  
April 2012

Sr. No.	Grade Standard	Staple	Micronaire	Strength/GPT	Trade Name	14 <sup>th</sup>	16 <sup>th</sup>	17 <sup>th</sup>	18 <sup>th</sup>	19 <sup>th</sup>	20 <sup>th</sup>
01.	ICS-101	Below 22mm	5.0-7.0	15	Bengal Deshi (RG)	9476 (33700)	9476 (33700)	9364 (33300)	9364 (33300)	9308 (33100)	9251 (32900)
02.	ICS-201	Below 22mm	5.0-7.0	15	Bengal Deshi (SG)	9758 (34700)	9758 (34700)	9673 (34400)	9673 (34400)	9617 (34200)	9561 (34000)
03.	ICS-102	22mm	4.5-5.9	19	V-797	7030 (25000)	7086 (25200)	7086 (25200)	7086 (25200)	7086 (25200)	7086 (25200)
04.	ICS-103	23mm	4.0-5.5	19	Jayadhar	8155 (29000)	8155 (29000)	8155 (29000)	8155 (29000)	8155 (29000)	8155 (29000)
05.	ICS-104	24mm	4.0-5.5	20	Y-1	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
06.	ICS-202	25mm	3.5-4.9	23	J-34	8408 (29900)	8436 (30000)	8295 (29500)	8295 (29500)	8295 (29500)	8267 (29400)
07.	ICS-105	25mm	3.5-4.9	22	NHH-44	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
08.	ICS-105	27mm	3.5-4.9	24	LRA-5166	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
09.	ICS-105	28mm	3.5-4.9	25	H-4/ MECH-1	9167 (32600)	9223 (32800)	9280 (33000)	9223 (32800)	9167 (32600)	9167 (32600)
10.	ICS-105	29mm	3.5-4.9	26	Shankar-6	9505 (33800)	9561 (34000)	9617 (34200)	9561 (34000)	9505 (33800)	9505 (33800)
11.	ICS-105	31mm	3.5-4.9	27	Bunny/ Brahma	9814 (34900)	9870 (35100)	9870 (35100)	9814 (34900)	9758 (34700)	9758 (34700)
12.	ICS-106	33mm	3.3-4.5	28	MCU-5/ Surabhi	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
13.	ICS-107	35mm	2.8-3.6	31	DCH-32	12654 (45000)	12654 (45000)	12654 (45000)	12654 (45000)	12654 (45000)	12654 (45000)

Note: Figures in bracket indicate prices in Rs./candy