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# Cotton Statistics And News

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## **High Cotton Prices Now Likely to Lead to Higher Cotton Area in 2009-10 in the North Zone**

In recent weeks, cotton prices in Punjab and Haryana have appreciated by 10-12 percent, mainly because of the spurt in demand from mills, traders and ginners. The uptrend has also been fuelled by the drying up of cotton arrivals in the market and the estimated fall in production this year compared to last year. Since these States will be taking up cotton sowings now, all cotton interests will be keenly watching as to whether the high prices will induce farmers to plant larger area under cotton for 2009-10 crop. During 2008-09, area in the both these States was lower compared to the previous year - in Punjab the fall was from 6.04 lakh hectares in 2007-08 to 5.37 lakh hectares this year and in Haryana from 4.83 to 4.55 lakh hectares.

According to reports, seed companies are gearing up for larger offtake of seed for the coming season. Sale of seed has already commenced and planting will be from mid-April to May-June in the above two States.

The seed sales are expected to pick up momentum now and may go up to mid-May. Since last year, most State Governments have brought cotton seeds under the Cotton Control Act and thus the governments would have to fix the price for every year. It is understood that the Governments of Haryana and Rajasthan have already fixed seed prices for 2009-10 at the same level as this year. Most other States are also expected to follow suit. It will be recalled that for 2008-09, several State Governments like Andhra Pradesh, Gujarat, Maharashtra and Madhya Pradesh had reduced the prices for Bt.cottons and the lower prices were accepted by seed companies after some initial resistance. Early fixation of prices would be helpful to seed companies to follow their production plans. As is well known, a large majority of cotton area is now covered by Bt.cottons. At the national level, coverage by them came to 74 percent in 2008-09 and the expectation is that the coverage will be still higher in 2009-10.

## **Comparative Cotton Price Trend during Q-1 in Domestic and International Markets**

The comparative data on the trend in cotton prices during the first quarter of 2009 in the domestic and international markets are given below.

Month	Domestic Prices (Rs/Candy)		Cotlook A Index (US cents/lb)
	J-34	S-6	
January'09	21000	21500	57.70
February'09	20100	20600	55.20
March'09	20600	20700	51.50

It will be observed that in the domestic market, the price trend was downward in the case of the two representative varieties of medium (J-34) and long stable (S-6) cottons during January-February. However, some firmness was discernible in March. The spot rates during the first fortnight of April also show a firm trend. In the case of international prices, as indicated by the Cotlook A Index, the trend was distinctly downward during January-March 2009. Data for the subsequent period, however, show that as in the case of domestic market, international prices also moved up in April.

## Commendable Progress Under Mini Missions III and IV of TMC

While the advent of bollworm resistant Bt cottons has led to a breakthrough in the country's cotton production, the intensive efforts under the Technology Mission on Cotton (TMC) have brought about a transformation in the quality and grade of baled Indian cotton. In the past, domestic cotton production was mostly short of the rising demand of the expanding textile industry, especially in the long and extralong staple groups. Large imports therefore, used to be a regular feature every year. The breakthrough in production, and that too in the long staple group, enabled the country to have large exportable surplus in long staple cottons.

Likewise, in the matter of quality and grade, Indian cotton had a poor image in world markets and was considered to have high content of trash and foreign matter. This image has totally changed now and importing countries find Indian cottons to be of good quality and grade. The breakthrough in production and the upgradation in quality enabled India to export large quantities of long staple cotton and, in fact, the country emerged as the world's second largest exporter of cotton, next only to US in 2007-09. This should be considered as no mean achievement by any standard.

In the field of marketing and improvement of grade, which is looked after by Mini Mission III of TMC, the efforts were directed towards activation of old non-operative market yards, improvement of the existing operating ones and establishment of new market yards. There has been significant progress in all these. According to the latest data available from the office of the Textile Commissioner, the activation of targeted 15 market yards has been fully achieved. The total project cost on this was Rs 911 lakh of which the share of Government of India came to Rs 367.65 lakh. Of this, the Government has already released Rs 365.56 lakh with the balance of Rs 2.09 lakh awaiting release.

A total of 164 existing market yards were targeted to be improved at a cost of Rs 28,579.91 lakh. Of these, work on as many as 149 yards involving a cost of Rs 12,158.16 lakh has been completed. An amount of Rs 10,322.90 lakh out of its share of Rs 11,039.56 lakh has so far been released by the Government of India. The number of new market yards targeted to be established was 72 at an estimated cost of Rs 19,934.27 lakh. Of these, 56 markets have been established, with the projected

cost coming to Rs 7,476.29 lakh. The admissible share of Government of India came to Rs 6,367.79 of which Rs.5,763.08 lakh has been released.

Thus, the total number of markets targeted to be activated/improved/established was 251 with an estimated project cost of Rs 49,425.07 lakh. As against this, work has been completed on 220 market yards involving an actual cost of Rs 20,009.40 lakh. The admissible share of Government of India in this was Rs 17,725.09 and out of this an amount of Rs 16,451.54 lakh has been released. It is worth mentioning that several market yards improved or set up under TMC are functioning as information centres on prices etc. for farmers while some also supply good quality production inputs to farmers.

In the case of the raw cotton processing sector, the efforts were directed towards modernisation of factories through the installation of modern gins and presses and by improving the management and supervisory services. It was also sought to improve the work habits and attitude of the labour. As many as 993 factories were targeted to be modernised with an estimated cost of Rs 1,44,864 lakh. Of this 655 factories have been modernised, the actual cost being Rs 81,641.79 lakh. The Government of India has already released its share of Rs 14,282.75 in the actual cost.

### **Renewal of Subscription of Cotton Weekly for April 2009-March 2010**

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## Business Confidence Survey by Cotton Outlook - Some Signs of Upturn

The results of the latest Business Confidence Survey of spinner conducted by Cotton Outlook towards the end of March are reported to have shown that although tentative at this stage, some signs of an upturn in activity are discernible in a number of countries. The report on the survey results states that it is difficult to escape the conclusion that the business climate remains anything other than depressed. However, it is stated to be equally clear that the tone has improved from the unequivocal despondency expressed by spinners in the previous survey at the end of last year.

In China, about 81 percent of the mills covered reportedly suggested that they were pessimistic about yarn business prospects, the same proportion that expressed a pessimistic view in last survey. Fewer participants - 45 percent compared to 75 percent last time - appear to have indicated that less capacity has been in use during the previous three months. Many of the larger mills are claimed to have acknowledged that export demand for textiles remains very weak but note that domestic offtake is better and that efforts have been undertaken to develop products specifically aimed at local consumers. Consumption rates of most fibres appear to have been on the decline.

The mood among spinners in India is said to have remained generally upbeat. Nevertheless, the hike in support prices has raised mills raw cotton replacement costs. Spinning capacity is stated to have remained stable of late although some mills have continued to operate reduced hours owing to power shortages. While not as positive as responses from India, response to survey from

Pakistan is said to point to a more optimistic sentiment than in many other countries. The mills are said to be neither expanding nor cutting down their capacity. Both Indian and Pakistani spinners appear to have suggested that they are more optimistic about yarn business prospects compared with three months ago and have reported that their fibre consumption has remained about steady in the last three months.

The outlook of spinners in Bangladesh is, however, said to be a contrast to those in India and Pakistan. The fibre use is estimated to have declined during the first quarter of this year. Recently, however, there is said to have been an upturn in activity. Some investment in capacity expansion appears to have taken place during the early part of the year although no further spending is planned for the immediate future.

An ambivalent outlook is stated to be evident in US. Yarn stocks are reckoned to have held about steady during the early stages of 2009 and an improvement in business is anticipated during the second quarter. Nevertheless, spindleage is widely believed to have been reduced further recently. In the main spinning centres in Europe, the current economic climate seems to provide little room for optimism. Additional mill closures have taken place in Germany and Czech Republic during the last three months and it is stated that further closures cannot be ruled out. Mills in Italy are said to be continuing to curtail output.

As regards raw cotton inventories during the first quarter of 2009, mills in China are said to have continued to reduce the same so as to reduce their financing costs. The average stock is said to have been sufficient for 21 days production, compared with 28 days during the last quarter of 2008. Moreover, it is stated, mills are not expected to extend their coverage before the Government's intentions regarding the State reserves and its textile support policy become more clearly defined.

Recent evidence is stated to have pointed to substantial gaps in mills' nearby coverage in a number of countries, notably Pakistan, Turkey and Bangladesh. The survey report adds that only the United States, India, S. Korea and Argentina seemed to have acquired more than half their foreseeable requirements.



## S N I P P E T S

The price advantage is stated to have prompted some leading textile and denim manufacturers to go in for higher imports of relatively cheaper cotton from US. In case of imports, not only the cotton is of good quality but a 90 day credit facility is also available, it is stated. According to heads of some mills, imports are likely to touch 10 lakh bales this year, as against the CAB estimate of 7 lakh bales.



Quick estimates are reported to have indicated that merchandise exports from the country dipped by a hefty margin of 30 percent during March this year compared to last March. The fall was mainly due to the weak demand from US and EU, it is stated. Contaction in exports had been visible from October 2008 onwards. The total value of exports during April - March 2008-09 is tentatively placed at \$168.60 billion, an increase of 3.6 percent compared to 2007-08. In contrast the growth during 2007-08 compared to 2006-07 was as high as 29 percent.



Market arrivals of cotton by the third week of April are placed at 264 lakh bales as against to 289 lakh bales by the same period last year. The maximum fall in arrivals, 75 lakh bales this year compared to 102 lakh bales last year, has been in Gujarat. The lower than expected arrivals throw a question mark over the possibility of production reaching the CAB estimate of 290 lakh bales.



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### 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					
					18th	20th	21st	22nd	23rd	24th
01.	ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0 15	22200	22200	22200	22100	21900	21900
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0 15	23100	23100	23100	23000	22800	22800
03.	ICS-102	22mm	V-797	4.5-5.9 19	16400	16400	16400	16400	16200	16200
04.	ICS-103	23mm	Jayadhar	4.0-5.5 19	18300	18300	18300	18200	18000	18000
05.	ICS-104	24mm	Y-1	4.0-5.5 20	20700	20700	20700	20600	20400	20400
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9 23	22600	22600	22600	22500	22400	22400
07.	ICS-105	25mm	NHH-44	3.5-4.9 22	20200	20200	20200	20200	20000	20000
08.	ICS-105	27mm	LRA-5166	3.5-4.9 24	20900	20900	20900	20800	20600	20600
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9 25	21300	21300	21300	21200	21000	21000
10.	ICS-105	29mm	S-6	3.5-4.9 26	22300	22300	22300	22200	22200	22200
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27	22900	22900	22900	22800	22800	22800
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5 28	23500	23500	23500	23400	23200	23200
13.	ICS-107	35mm	DCH-32	2.8-3.6 31	32100	32100	32100	32000	32000	32000
14.	ICS-301	26mm	ICC	3.7-4.3 25	22000	22000	22000	21900	21400	21400