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Impediments In Branding Indian Cotton And Its Possible Solutions

GUEST COLUMN

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Besides a Doctor of Philosophy in 'A Study of Management and Development of Cotton Ginning Industry in India with Special Reference to Double Roller Ginning Market (2000-2009), Dr. Sharma has also done a Certificate Course, from the Texas International Cotton School, USA and a Certificate Course from Kothari Institute of Financial Management. He has numerous publications to his credit and has co-organised several Ginners' Awareness Meet with Central Institute for Research on Cotton Technology (CIRCOT), under Technology Mission on Cotton (TMC) as well as participated in several meetings of International Cotton Advisory Committee at different places in the world. In 1990 he was awarded by Collector Central Excise, Nagpur for significant Contribution as member of Regional Advisory Committee, Central Excise, Nagpur. He has served as a Member of the following:- Regional Advising Committee (Organized Sector),Central Excise Collectorate, Nagpur; Public Grievance Redressal Committee, Central Excise Collectorate, Nagpur; Small Scale Industrial Committee, (Vidarbha Region), Federation of Indian Chamber of Commerce and Industry, New Delhi and Executive Committee – Vidarbha Industries Association, Nagpur.

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Preface:

India has achieved the distinction of being the largest producer of cotton in the world and of maintaining its position for the past three years continuously. However, it has also maintaining its position as being the producer of one of the highest contaminated cotton as per ITMF survey. This image of Indian cotton is certainly affecting its price and reputation and therefore, the value chain producing cotton in India is at a disadvantage against some other countries producing cotton.

Indian cotton, despite being hand-picked and having the most preferred parameters in terms of length, micronaire and other spinning parameters; higher trash and contamination present in the bales of cotton is creating a big disadvantage.

The Govt. of India has put in consistent efforts in terms of Technology Mission of Cotton (TMC) and Technology Upgradation Fund (TUF) under which the ginning and pressing factories in the country have already been modernised up to a level and therefore, can produce cotton fibre of the best quality with lower trash and contamination levels; however due to certain impediments, this is not getting executed. If these impediments were removed, Indian cotton can be branded as one of the best cottons in the world and can gain reputation worldwide, which can certainly benefit the whole value chain. This paper discusses these impediments and their possible solutions.

Impediments in Branding of Indian Cotton:

1. Encouragement to add trash at various levels
2. Practices that add contaminants
3. Sampling methods
4. Marketing practices through brokers
5. Absence of certifying agency
6. Pricing methods for cotton bales by spinning mills
7. Inadequate quality control of cotton by the government
8. Un-even size / weight of cotton bales
9. Improper packing / covering material of cotton bales.

1. Encouragement to add trash at various levels:

In India, a hand picker is remunerated on the basis of weight of seed cotton picked. Not much consideration is given to the trash present in this seed cotton, hence these pickers tend to mix immature bolls, stems, dust, leaves, etc. to increase the weight so that they can get extra picking charges. Similarly, the farmers/middle men get prices mainly on weight basis from the ginner/market yard without any proper consideration to trash or moisture content; hence in turn, they add water or trash to increase weight. Moreover, the ginner also gets the price mainly on the weight basis without proper analysis of trash / contamination as the spinning mills purchasing cotton mainly buy these bales through brokers, who generally have no facility or mandate to check the trash and contamination percentage. Therefore, many ginners try to keep the trash level at the maximum permissible limit, which is 4.5 to 5% in India beyond which Indian spinning mills starts deducting the proportionate price for higher trash. Thus, the seed cotton which might be having less than 2% trash content and the moisture content less than 6% while coming from the field, the trash content goes as high as up to 10% or more and moisture contents goes as high as up to 25% or more till it reaches the feeding point in ginning factory, which causes non-removal/addition of trash and contaminants.

2. Practices that add contaminants:

The following practices add trash /contaminants to the hand-picked seed cotton:

a. Storage of seed cotton in the open field till the end of picking process: The hand picker gets his hand-picked cotton to a central open space, where it is mostly stored in open land, where the wind brings the trash and contaminants from the surroundings and it gets mixed with the heap of seed cotton stored in the open.

b. Storage of seed cotton in unprotected houses of farmer: Many farmers store the seed cotton in their houses after bringing it from the field, which are made of mud with roofs made of either plant materials or mud tiles which have gaps that allow wind and rain to come through, bringing in dust and contaminants from outside. Moreover, due to humans coming in touch with the seed cotton, it is bound to get contaminated.

c. Water addition at the time of harvesting and during storage at farmer's home: Many times water is added to the seed cotton when it is stored in the farmer's house, so the weight can increase. This causes crushing of seeds during the ginning process, due to which oil comes out and contaminates the cotton. The addition of water causes sticking of trash and contaminants, making it difficult to remove and also leads to the contaminants going further inside the bales of cotton.

d. No drying equipments in ginning factories: None of the ginning factories in India use drying equipments for seed cotton. Therefore higher moisture contents existing in the seed cotton cannot be brought within the recommended limit of 6% to 8%. This leads to cotton with higher moisture contents going to the ginning process without removal of trash at pre-cleaning level.

e. By-passing/not using cleaning equipments: Many ginners do not use pre-cleaners or by-pass them on the pretext that if they remove the trash, it will reduce the weight, hence putting them at a loss. If the pre-cleaners are used, the trash content will come down significantly and if a horizontal belt and a horizontal cleaner/inclined cleaner are effectively used to remove contaminants like hair, twine, ropes, plastics threads periodically from the spikes of pre-cleaners where they get trapped, then the majority of contaminants will be removed from the cotton before the ginning process. Pouches, etc. may be removed easily on the horizontal belt. This process may reduce the contaminants in Indian cotton to the international level and will help in branding of Indian cotton.

(To be continued)

Courtesy : Cotton India 2016-17

Ethiopian Delegation Visits CAI

An Ethiopian delegation on a India Study Tour visited the CAI on May 4, 2017. CAI President Shri. Nayan C. Mirani welcomed the delegates and explained to them the role and responsibilities of the Association, CAI's member management system and its support to the cotton farmers.

The delegation comprised of Mr. Asfawesen Alene, Director General, EIIDE (Ethiopian Industrial Inputs Development Enterprise); Mr. Endris Negus Deputy Director General, EIIDE; Mr. Abay Kebede, Deputy Director General, EIIDE; Mr. Yared Mesfin Deputy Director General, ETIDI (Ethiopian Textile Industry Development Institute); Mr. Yitbarek Abebe Cotton & Textile Marketing A/Director, ETIDI; Mr. Haddish Girmay, Vice President, CPGEA (Cotton Producers, Ginners and Exporters Association); Mr. Asefa Aga, General Manager, CPGEA; Mr. Getachew Muliye, Crop Production Directorate Director, Ministry of Agriculture and Nature Resources; Mr. Shibru Berga, State Minister Advisor, Ministry of Industry and Mr. Tewodros Belachew, Project Coordinator, Enterprise Partners.

COTTON EXCHANGE MARCHES AHEAD

Madhoo Pavaskar, Rama Pavaskar

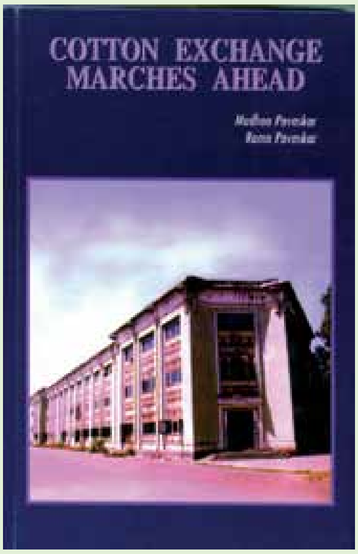
Chapter 6

March To Freedom - II

(Contd. from Issue No.5)

No Relaxation

Expressing his utter disappointment at the continuation of stringent credit controls, Mr. Rajnikant Purshotamdas, the then President of the East India Cotton Association, in his speech at the 58th Annual General Meeting held on February 11, 1980 strongly criticised the severity and irrationality of the controls. He pointed out that while in 1965 when the credit control regime began, total bank advances available to the trade were Rs.65 crore during the peak marketing months, in 1978-79 the trade had received an aggregate credit of only Rs.75 crore, though cotton prices had escalated threefold during the intervening period following the inflation in the economy.



In the seventies, cotton prices actually rose less than the overall inflation index. The index number (1970-71=100) of wholesale prices of all commodities was 217.6 in 1979-80, but that of raw cotton was just 164.4. Evidently, cotton was not the villain of the piece in the saga of inflation that gripped the economy during that decade. Mr. Rajnikant Purshotamdas therefore rightly urged the authorities to see that reasonable credit was made available to the private trade which then marketed about 60 per cent of the cotton crop. Adequate bank advances were essential not only to impart stability to the market, but also to ensure fair and remunerative prices to the cotton growers. The authorities, however, seemed to be in no mood to listen to reason.

Subsequently, in a letter addressed to Mr. Pranabkumar Mukherjee, the then Union Minister for Commerce, on May 17, 1980 Mr. Purshotamdas Jhunjhunwala, who assumed the Presidentship of the East India Cotton Association (E.I.C.A.) after Mr. Rajnikant Purshotamdas stepped down, also lamented that the private trade was being discriminated against very harshly vis-à-vis the public sector agencies like the Cotton Corporation of India and the Maharashtra Monopoly Procurement Scheme which were provided with advances of the order of Rs. 150 crore and Rs.210 crore respectively. Alas, it was a cry in the wilderness. For, despite repeatedly bringing to the notice the incongruities in its selective credit control policy, not only did the RBI not relax its credit restrictions on cotton and kapas, but on March 2, 1981 raised the minimum interest rate for the private trade to a new all-time high of 19.5 per cent. Obsessed with the hallucination of speculative hoardings by the trade, on April 6, 1985 even the minimum margin was brought uniformly to 60 per cent for all cotton varieties, though the minimum interest rate was reduced marginally to 17.5 per cent.

Relief At Last

As a matter of fact, the supply situation in cotton had improved over the two decades since credit controls were first imposed in 1965. Cotton production during 1984-85 was as much as 107 lakh bales, as against 57.30 lakh in 1965-66. The Cotton Exchange brought this to the notice of the RBI in its letter dated September 4, 1985. With surplus developing in cotton and the country emerging as an exporter, there was no reason for continuing the selective credit controls which were introduced under scarcity conditions. The Cotton Exchange therefore requested the RBI to free cotton and kapas from these out-dated controls.

In response, on October 25, 1985 while mills were totally exempted from the selective credit controls, the minimum margin for the private trade was merely reduced to 45 per cent. As the trade began to face difficulties in buying the huge 1985-86 crop of 115.5 lakh bales for want of adequate credit, the Cotton Exchange led a delegation on February 27, 1986 under the leadership of its President, Mr. C.H. Mirani, to meet with the RBI officials manning its Credit Planning Cell. The delegation impressed upon the officials the need for removal of credit controls in view of the record cotton crop and heavy carry-over of 35 lakh bales from the previous season. It pointed out that the marketing problems in kapas and cotton had reached new dimensions, and were affecting adversely the payments to the farmers. At long last, the persistence and perseverance of E.I.C.A. paid some dividends. For the first time after a little over two decades, on April 6, 1986 the selective credit controls on cotton and kapas were removed altogether and banks were directed to sanction advances on the basis of prudent banking norms and merits of each case. This was the first major victory for the cotton trade in its long drawn out battle against the selective credit controls.

Back to Square One

Disappointingly, the victory was short-lived. On August 14, 1987 advances against cotton and kapas for parties other than mills were brought back under the purview of selective credit controls. The minimum margin was fixed at 45 per cent and the maximum level of credit was stipulated at the peak level during the three years from 1982-83 to 1984-85. The minimum interest rate was prescribed at 16.5 per cent, which was subsequently reduced to 16 per cent on October 8, 1988. Meanwhile, the ceiling on credit was reduced to 85 per cent of the peak level during the preceeding three years. The cotton trade was once again back to square one with respect to credit availability.

But the cotton scene was changing dramatically. The 1989-90 season witnessed a record cotton crop of 135.75 lakh bales. The prices of cotton and kapas were tumbling down day after day in the up-country and terminal markets. Yet, the repeated requests of the Cotton Exchange to remove the credit controls on cotton and kapas were of no avail. RBI had almost shut its eyes to the slump in the cotton market. This was more disturbing than surprising.

Another Battle won

Finally, on April 3, 1990 Mr. Mirani led yet another delegation to meet the RBI officials, including the Deputy Governor, Dr. C. Rangarajan. At the meeting, Mr. Mirani called for the total removal of credit control on cotton and kapas in view of the bumper cotton production and the slump in prices. He explained that in such a market situation, not only was the possibility of any hoarding of cotton quite remote, but such hoarding, if attempted, would prove risky and its cost would be enormous. Mr. Mirani emphasised that cotton is the "topmost case deserving withdrawal of selective credit control". Mr. Mirani's arguments finally carried the day and in the credit policy announced on April 16, 1990 for the first half of 1990-91, Mr. R. N. Malhotra, the then Governor of the Reserve Bank, stated that in the context of the improved supply position in cotton, the RBI had decided to exempt all advances against cotton and kapas from credit controls. The cotton trade won yet another battle. But the war had still not ended, as the trade was to realise soon.

Controls Again

On October 8, 1991 bank advances against cotton and kapas were once again subjected to the selective credit controls. While mills and cotton processing (but not ginning and pressing) units continued to be exempted, the minimum margins for advances to the private cotton trade were fixed at 45 per cent against stocks of cotton and kapas and at 30 per cent against warehouse receipts. The credit ceiling was prescribed at 85 per cent of the peak level of advances during the triennium ending 1989-90. The minimum interest rate was hiked to an unbelievable 20 per cent from 18.5 per cent. It was 17 per cent from April 1990 to June 1991.

As if all this was not enough, on February 11, 1992, in the midst of the peak marketing season, the minimum margins on advances against cotton and kapas for the trade were raised by 15 percentage points, both against stocks and warehouse receipts. The minimum interest rate was, however, reduced by one per cent. On April 22, 1992 the minimum margins were further raised by another 15 percentage points to an all time high of 75 per cent against stocks and 60 percent against warehouse receipts. Evidently, the private cotton trade appeared to have become a whipping boy for the spiralling inflation in the economy.

The cotton trade was furious. In a strongly worded letter dated April 25, 1992 addressed to Mr. S. Venkitaramanan, the Governor of the Reserve Bank, Mr. Mirani decried that "the trade is completely throttled for credit and it also amounts to 'no credit' facility to the cotton trade for marketing of cotton". He brought to the notice of the Governor that the supply situation in cotton was better than in the previous year and the prices of cotton in April 1992 were lower by 14 to 26 per cent for different varieties from their peak levels in the previous season. At the same time, since the trade was virtually denied of bank credit, the cotton merchants were perforce required to borrow from private sources at usurious interest rates. As such borrowing increases the cost of marketing, Mr. Mirani feared that it might result in reversing the prevailing trend in cotton prices and thereby raising the prices of both cotton and cloth, defeating the very purpose of credit control. He therefore once more pleaded that the selective credit controls should be withdrawn for advances against cotton and kapas.

(To be continued)

Growth in Capacity of Cotton / Man-Made Fibre Textile Mills (Non SSI)

YEAR	NO. OF MILLS			INSTALLED CAPACITY		
	SPINNING	COMPOSITE	TOTAL	SPINDLES (Mn.)	ROTORS (000)	LOOMS (000)
31-03-2005	1566	223	1789	34.24	385	86
31-03-2006	1570	210	1780	34.14	395	73
31-03-2007	1608	200	1808	35.61	448	69
31-03-2008	1597	176	1773	35.01	461	56
31-03-2009	1653	177	1830	37.03	485	57
31-03-2010	1673	180	1853	37.68	494	57
31-03-2011	1757	183	1940	42.69	518	52
31.03.2012	1761	196	1957	43.31	523	52
31.03.2013	1771	198	1969	44.17	546	52
31.03.2014	1757	197	1954	44.47	553	51
31.03.2015	1776	200	1976	45.08	565	52
31.03.2016	1779	201	1980	46.00	581	53
31.03.2017	1803	205	2008	47.12	587	53
2015-16 (P)						
April	1776	200	1976	45.09	565	52
May	1776	200	1976	45.09	565	52
June	1776	200	1976	45.10	565	52
July	1776	200	1976	45.24	565	52
August	1776	200	1976	45.08	565	52
September	1776	201	1977	45.54	511	52
October	1778	201	1979	45.57	515	52
November	1778	201	1979	44.65	573	52
December	1778	201	1979	44.69	575	52
January	1778	201	1979*	45.82	579	53
February	1779	201	1980	46.02	581	53
March	1779	201	1980	46.00	581	53
2016-17 (P)						
April	1781	201	1982	46.14	578	53
May	1784	201	1985	46.18	579	53
June	1787	201	1988	46.42	583	53
July	1792	204	1996	46.85	583	53
August	1797	204	2001	46.73	586	53
September	1798	204	2002	46.94	586	53
October	1800	204	2004	46.97	586	53
November	1803	204	2007	47.04	586	53
December	1803	204	2007	47.07	587	53
January	1803	205	2008	47.12	587	53
February	1803	205	2008	47.12	587	53
March	1803	205	2008	47.12	587	53

P - Provisional

Source : Office of the Textile Commissioner

UPCOUNTRY SPOT RATES (Rs./Qtl)

Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]							Spot Rate (Upcountry) 2016-17 Crop MAY 2017					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	1st	2nd	3rd	4th	5th	6th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15		9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9701 (34500)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	H	10011 (35600)	10011 (35600)	10011 (35600)	10011 (35600)	9983 (35500)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20		7958 (28300)	7958 (28300)	7930 (28200)	7930 (28200)	7902 (28100)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	O	9251 (32900)	9251 (32900)	9223 (32800)	9223 (32800)	9195 (32700)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23		10432 (37100)	10432 (37100)	10404 (37000)	10404 (37000)	10376 (36900)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26		12260 (43600)	12260 (43600)	12260 (43600)	12317 (43800)	12176 (43300)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	L	9364 (33300)	9364 (33300)	9308 (33100)	9308 (33100)	9251 (32900)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25		9870 (35100)	9870 (35100)	9870 (35100)	9870 (35100)	9814 (34900)
9	P/H/R	ICS-105	Fine	27mm	3.5.4.9	26	I	12429 (44200)	12429 (44200)	12429 (44200)	12485 (44400)	12345 (43900)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26		9898 (35200)	9898 (35200)	9842 (35000)	9842 (35000)	9786 (34800)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26		10264 (36500)	10264 (36500)	10179 (36200)	10179 (36200)	10123 (36000)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	D	12513 (44500)	12513 (44500)	12513 (44500)	12570 (44700)	12429 (44200)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27		11417 (40600)	11417 (40600)	11332 (40300)	11332 (40300)	11276 (40100)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	A	11501 (40900)	11501 (40900)	11417 (40600)	11417 (40600)	11360 (40400)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28		11698 (41600)	11698 (41600)	11614 (41300)	11614 (41300)	11557 (41100)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28		11838 (42100)	11838 (42100)	11754 (41800)	11754 (41800)	11698 (41600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	Y	12007 (42700)	12007 (42700)	11923 (42400)	11923 (42400)	11867 (42200)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30		12288 (43700)	12288 (43700)	12288 (43700)	12288 (43700)	12288 (43700)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31		12935 (46000)	12935 (46000)	12935 (46000)	12935 (46000)	12935 (46000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33		16169 (57500)	16169 (57500)	16169 (57500)	16169 (57500)	16169 (57500)

(Note: Figures in bracket indicate prices in Rs./Candy)