Weekly Publication of

Cotton Association of India

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Cotton Statistics And News

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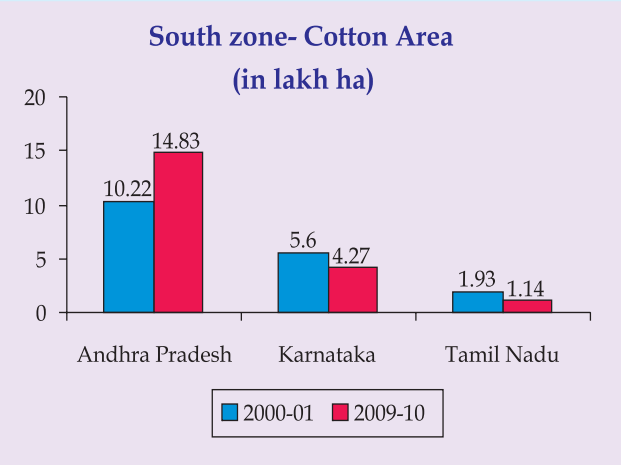
Edited & Published by Amar Singh

Progress of Cotton in the South Zone

(Contd. from previous Issue)

Unlike the two other zones, South cotton zone is not a cohesive one in agro-climatic conditions as also a few other respects. Soils in the zone are varied and have both black, red and mixed ones. The seasons of cotton farming also vary from State to State. The bulk of sowings commence in August and go on up to October and sometimes early November depending on the receipt of monsoon rains. Small pockets in some States like Karnataka take up sowing in April - May with the help of early rains while the summer crop in the rice fallows is grown from March to September. While Andhra Pradesh has about 40 - 45% under irrigated cotton thanks to the Nagarjunasagar Project, share of irrigated cotton in the other two States is only about 15 to 30%. In Karnataka, Tungabhadra and a few other small scale projects provide irrigation for cotton in a few thousand hectares.



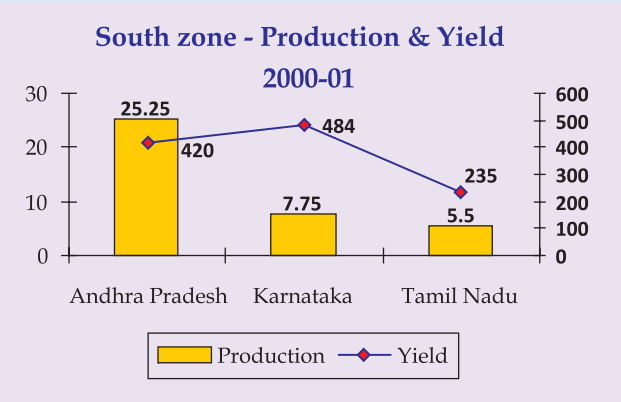
The State of Tamil Nadu has been a pioneer in the development of a superior long and extralong staple cottons. MCU-5 heralded the cultivation of superior long staple cottons on a commercial scale in the Country. It was followed by the first extralong staple cotton Suvin. However, owing to various reasons, both these have gradually become less popular and the area under them has dwindled. New extralong staple Bt cottons like MRC 6918 and RCH 708 have now taken their place and are spreading over large areas. Karnataka also was successful in developing the country's first extralong staple hybrid cotton, DCH-32.

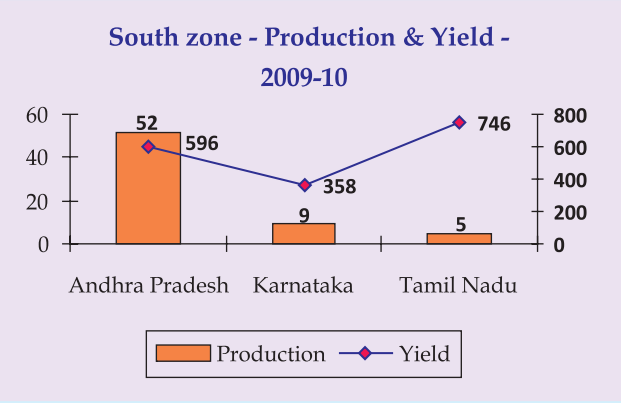
The data on area, production and yield of cotton in this zone during the last decade are presented in the following table.

State	Area (lakh ha)		Production (lakh bales)		Yield (kg/ha)	
	2000-01	2009-10	2000-01	2009-10	2000-01	2009-10
A.P.	10.22	14.83	25.25	52.00	420	596
Karnataka	5.60	4.27	7.75	9.00	235	358
T.N.	1.93	1.14	5.50	5.00	484	746
Total/Av.	17.75	20.24	38.50	66.00	369	554

Although the increase in area during the last decade was small at 14%, production increased by as much as 71% consequent on a rise of 50% in the yield per hectare. As in the case of other zones, the large coverage by the high yielding Bt cottons has been a major factor in pushing

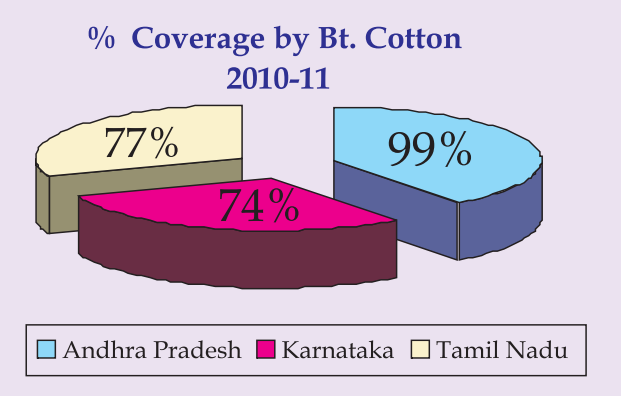
up the production and yield. The relevant data are given below.





(Production in lakh bales of 170 kg. & Yield kg/ha)

State	Total Cotton Area (lakh ha)	Bt Cotton Area (lakh ha)	% coverage by Bt cottons
A.P.	17.76	17.50	99
Karnataka	5.34	3.95	74
Tamil Nadu	1.30	1.00	77
Total	**24.40**	**22.45**	**92**



As may be seen, Andhra Pradesh has been fully saturated with Bt cottons, while the percentage of coverage in the other two States is also high.

To Sum Up

A study of the zone-wise data reveals that during the last decade, out of the three cotton zones, by far the maximum increase in both production and productivity has been in the Central Zone. In production, the increase in the Central Zone was 187% as against 32% in the North Zone and 14% in the South Zone. In per hectare yield, the rise in the Central Zone was 122% compared to 37% and 50% in the North and South Zones respectively. What is particularly significant is that the remarkable progress has been achieved in spite of the fact that only about 15 - 20% of the area under cotton in the Central Zone is irrigated. Although one of the main reasons for the progress is the large coverage by Bt cotton, other zones have not made comparable progress although the coverage by Bt cottons is large in these zones also. Perhaps the greater awareness about the modern agro-techniques and more intensive efforts of the cotton growers to maximise yields have also been responsible for the commendable progress.

It also needs to be pointed out that having regard to the fact that being a predominantly irrigated zone, the advances in production and productivity should have been much higher in the North zone. What is more, the present average yield in Punjab at 457 kg per hectare is far behind the average yield of 635 kg per hectare recorded in Gujarat, a State with only about 22% of cotton area under irrigation. Also, the average yield in Punjab is way behind the world average yield of 733 kg per hectare, not to speak of such high yields as 1422 kg in Australia and 1226 kg in China. It may perhaps be worthwhile if a critical study is made so as to identify the factors that stand in the way of obtaining comparable yields in Punjab. This would help in locating the thrust areas that need to be focussed in the coming years to push up the yield at least to the level recorded in Gujarat.

(Concluded)

Cotton Imports by China

Cotton imports by China reportedly fell by 14.6 percent in March compared to a year ago as lower yarn prices cut into profits for the textile industry reducing the demand for cotton. Inbound shipments were placed at 2,76,436 tonnes as against 3,23,780 tonnes in March 2010. About 55 percent of China's March imports were from US followed by India and Uzbekistan at 31 percent and 7 percent respectively, according to the China Cotton Association.

Defaults on Cotton Contracts Rising - ICAC

In its Review of the World Situation for March-April 2011, the International Cotton Advisory Committee (ICAC) has touched upon several topics such as cotton price trends, analysis of the cotton supply chain, effect of Government interventions in international trade volumes etc. Another major topic dealt with is the Rising Defaults on Cotton Contracts in 2010-11. Being of considerable interest, particularly to the trading community, some of the points brought out by the ICAC in its Review are highlighted below.

Record volatility in cotton prices caused an increased number of contract defaults during 2010-11. Cotton prices tripled during the season reaching records above two dollars per pound. Some sellers failed to deliver cotton according to the terms of the contracts signed in mid-2010, when prices were less than one dollar a pound. It is stated that according to trade sources, besides the higher number of defaults in 2010-11 compared to previous years, more delays in shipments were also noticeable and renegotiations are on the rise. These events cause substantial difficulties and uncertainties for trading companies obligated to deliver cotton to spinning mills. Traders face losses if forced to replenish shortfalls at higher market prices.

The defaults also create problems for spinning mills, which experience shortages of cotton, rising costs and increased uncertainty in operations. Some mills could default on high priced cotton if they are not able to pass increased costs to buyers of cotton yarn. Therefore, cotton merchants could find themselves in exposed positions on both sides of trades. Defaults on contracts increase counter-party risks, thus limiting the availability and increasing the cost of trade finance. Confidence in the cotton trading system is undermined by defaults, says the ICAC Review. While in 2008 the sharp rise in prices were caused by speculation, the increase in 2010-11 was caused by fundamental factors of demand strongly overgrowing supplies. This time, the expected rise in defaults is caused by some sellers choosing to take advantage of rising prices at the expense of buyers. It will become easier to evaluate the full extent of the current problem in 2012, after defaulters are added to publicly available default lists. However, based on the scope of discussions in trade circles, as well as in mass media outlets, it appears that the problems of defaults is unusually widespread during 2010-11.

Losses suffered due to defaults could be in billions of dollars, it is stated. The value of world cotton production is estimated at $90 billion. Even if defaults were associated with just one percent of world production, the value of cotton involved would be $900 million. However it is stated that there are some estimates indicating that defaults could be as high as 2.5% of world production, valued at $2.25 billion. Not all of this value translates into losses has hedge placed by merchants could limit losses. It is stated that an unusually large number of defaults occurred this season in USA, mostly in West Texas. Also, large defaults associated with a Government limit on exports are said to have been reported this season in India.

To deal with the issue of increasing defaults, it is stated that a continuation of efforts to harmonise trading rules is important as it helps to minimise risks and the cost of doing business. Publicising information about defaults is instrumental in deterring defaults, while an efficient arbitration system is essential in dealing with defaults. Trading with defaulters undermines the efficacy of trading rules, adds the ICAC Review.

(Source: Review of the World Cotton Situation - March - April 2011 published by ICAC)

Cotton, as a natural cellulose fiber, has a lot of characteristics, such as:

- Comfortable Soft hand
- Good absorbency
- Color retention
- Prints well
- Machine-washable
- Dry-cleanable
- Good strength
- Drapes well
- Easy to handle and sew

Source : Cotton Facts

Rajasthan to Use SMS for Farm Information

The Rajasthan Government is planning to roll out an SMS-based price information system for farmers in remote areas, the State Agriculture Minister has said. The Panchayats will be connected to the mobile network services for updates on prices of agriculture produce. Every Panchayat would have centres connected with mandis. Besides flashing price updates, these centres will also provide weather forecast and expert advice. This will help farmers get optimum price for their produce, the Minister said.

The state is also planning to set up a centralised madi where farmers can sell their produce without middlemen. The farmenrs will be provided with much needed market intelligence.

An internet based information will be set up connecting all the markets which will compile and analyse parameters like prices, arrivals and demand-supply situation to provide market intelligence to farmenrs.

The Minister further stated that the State is also planning to introduce single licence system, which would enable companies and traders to operate across the markets in the State. Rajasthan has 125 notified markets. Companies have to get individual licence for every market. With this, companies can operate across the State. This will simplify the purchase process, the Minister added.

Source: Economic Times - 26.04.2011)

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) 2010-11 CROP April - May 2011					
						30th	2nd	3rd	4th	5th	6th
01.	ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0	15	13216 (47000)	12963 (46100)	12963 (46100)	12963 (46100)	12823 (45600)	12541 (44600)
02.	ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0	15	13385 (47600)	13104 (46600)	13104 (46600)	13104 (46600)	12963 (46100)	12682 (45100)
03.	ICS-102	22mm	V-797	4.5-5.9	19	8577 (30500)	8295 (29500)	8155 (29000)	8155 (29000)	8155 (29000)	8014 (28500)
04.	ICS-103	23mm	Jayadhar	4.0-5	19	11248 (40000)	10686 (38000)	10404 (37000)	10404 (37000)	9842 (35000)	9280 (33000)
05.	ICS-104	24mm	Y-1	4.0-5.5	20	N.A	N.A.	N.A	N.A	N.A	N.A.
06.	ICS-202	25mm	J-34	3.5-4.9	23	14060 (50000)	13919 (49500)	13919 (49500)	13919 (49500)	13638 (48500)	13076 (46500)
07.	ICS-105	25mm	NHH-44	3.5-4.9	22	N.A	10686 (38000)	10545 (37500)	10545 (37500)	10264 (36500)	9983 (35500)
08.	ICS-105	27mm	LRA-5166	3.5-4.9	24	11248 (40000)	11810 (39000)	10826 (38500)	10826 (38500)	10545 (37500)	10264 (36500)
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	12373 (44000)	11810 (42000)	11810 (42000)	11810 (42000)	11529 (41000)	11389 (40500)
10.	ICS-105	29mm	S-6	3.5-4.9	26	14341 (51000)	14060 (50000)	13779 (49000)	13779 (49000)	13498 (48000)	12935 (46000)
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	15325 (54500)	14904 (53000)	14622 (52000)	14622 (52000)	14341 (51000)	13779 (49000)
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	16872 (60000)	16310 (58000)	16310 (58000)	16310 (58000)	16169 (57500)	15888 (56500)
13.	ICS-107	35mm	DCH-32	2.8-3.6	31	21090 (75000)	20528 (73000)	20528 (73000)	20528 (73000)	20528 (73000)	20528 (73000)

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