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Cotton Exchange Building, 2nd Floor,
Cotton Green, Mumbai - 400 033
Phone: 3006 3400
Fax: 2370 0337
Email: cai@caionline.in
www.caionline.in

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World 2012-13 Cotton Consumption and Ending Stocks to Rise

According to USDA estimates, world 2012-13 cotton consumption is forecast to rise 3 percent from the previous year to nearly 110.0 million bales, as a result of lower cotton prices relative to polyester and a slight improvement in global economic activity.

The International Monetary Fund's (IMF) most recent World Economic Outlook Report has the global economy growing at 3.5 percent in 2012 and 4.1 percent in 2013. The 2012 growth estimate is weaker than the 3.9 percent growth in 2011. At the same time, current and projected lower cotton prices are likely to improve cotton's share of global fibre demand.

In China, where the IMF estimates 2012 gross domestic product growth at 8.2 percent (down from a 9.2 percent growth in 2011), mill use is forecast at 41.0 million bales, down 2 percent from the previous year.

China's reserve accumulation policy has pushed domestic cotton prices above world levels, and the mills there have responded by reducing cotton's fibre share of textile consumption and substituting imports of cotton yarn. Lower spinning use in China will benefit cotton consumption in other countries, especially Asian yarn producers.

India is forecast to consume 21.0 million bales in 2012-13, up 8 percent from a year ago. If realized, this will be its second highest mill use on record. The IMF estimates India's economy to grow 6.9 percent in 2012, compared with 7.2 percent in the previous year. India's economic growth, however, is forecast to rebound to 7.3 percent in 2013, strengthening the domestic demand for cotton and adding to the impact of rising textile exports. In Pakistan, 2012-13 cotton consumption is forecast at 11.0 million bales, up 10 percent from the previous year.

Turkey is forecast to consume 5.6 million bales in 2012-13, up 6 percent from the preceding year, as mills increase investment in new equipment and

infrastructure to expand capacity and meet growing demand for its textile products. In the United States, mill use is forecast at 3.5 million bales in 2012-13, an increase of 3 percent from a year ago. The IMF forecasts the United States economy to grow 2.1 percent and 2.3 percent in 2012 and 2013, respectively, modestly higher than the growth in 2011. Brazil's 2012-13 mill use is forecast at nearly 4.3 million bales, up 6 percent from a year ago.

World ending stocks are forecast to a record 73.7 million bales in 2012-13, a 10-percent increase from the preceding year. Ending stocks are forecast to rise in most cotton producing countries, with the notable exception of Brazil. The forecast build-up in global ending stocks is driven by world production, which is expected to outpace consumption in both 2011-12 and 2012-13, along with China's continued national reserve stocks accumulation policy. USDA projects global stocks-to-use to rise to 67 percent in 2012-13, compared with 63 percent in the previous year.

Rising stocks-to-use will put further downward pressure on already declining prices for the fibre. China's retention of its current reserve stocks and the expected additions to end-of-year reserves will be crucial to limiting price declines in 2012-13. China's 2012-13 ending stocks are forecast at 28.1 million bales, up 14 percent from a year earlier, raising the country's share of global ending stocks to 37 percent.

Ending stocks in India and Pakistan in 2012-13 are forecast to rise 6 percent and 21 percent from a year ago, to 9.5 million bales and 3.9 million bales, respectively. In Australia, 2012-13 ending stocks are forecast at 3.8 million bales, up 9 percent from the previous year. Brazil's 2012-13 ending stocks are forecast to decline 5 percent from a year earlier to 8.3 billion bales, due mainly to lower expected production.

Source: U.S. Department of Agriculture (USDA)

Imparting Sustainability in the Cotton Industry

In a recent issue of Cotton International one of the articles is entitled "Weaving Sustainability into the Cotton Industry". As this topic is of interest, some of the highlights in the article are mentioned below.

The Better Cotton Initiative (BCI) was launched to stimulate and support sustainability in the cotton industry and make Better Cotton a viable mainstream commodity.

The objectives and system of BCI are:

- To demonstrate the inherent benefits of Better Cotton Production, particularly in regard to the financial profitability for farmers.
- To reduce the impact of water and pesticide use on human and environmental health.
- To improve soil health and biodiversity.
- To promote decent work for farming communities and cotton farm workers.
- To facilitate global knowledge exchange on more sustainable cotton production.
- To increase traceability along the cotton supply chain.

In 2009, to speed up this process, an alliance of major retailers and Non-Government Organizations (NGOs) launched the Better Cotton Fast Track Program, aiming to support the long term goals of BCI. One of the first milestones of the Fast Track Programme is a supply of one million tonnes of Better Cotton lint by 2015.

Although widely perceived as a "natural" product, cotton cultivation involves the intensive use of

water, fertilizers and pesticides. Most cotton growers are not literate and live in poverty. The complex supply chain lacks visibility, and at various stages – whether in production, processing or trading – short term opportunities can appear more valuable than long term security.

Given these conditions, BCI has pledged to make global cotton production better for the people who produce it, for the environment it grows in, and for the future of the cotton sector. It is currently the only initiative of its kind that aims for mass-market transformation as an explicit goal. BCI is recognized by leading cotton companies as the standard for more sustainable cotton production in mainstream markets. The Better Cotton Fast Track Programme aims to accelerate the performance of the BCI system through a demand-driven strategy. Implementation is based on retailers' investments in farmer support, with each retailer investment being matched through a fund created by a private bank and several organizations working in 41 countries in Africa, Asia, Latin America and Eastern Europe to encourage development.

Cotton farming in developing countries is done mostly by smallholders on less than five hectares of land. It is stated that most of these farmers live in debt and poverty with limited access to finance and therefore cannot purchase good quality farm inputs to improve their harvest. This poses a great challenge for the cotton industry to maintain a stable supply and to improve operations and traceability in their supply chain. Striving to improve the farmers' incomes and stimulate supply and demand, BCFTP invests in projects that will eventually train more than a million farmers on good agricultural practices. The farmer projects are said to be essential in achieving the target supply of one million tonnes of Better Cotton lint by 2015, of which BCFTP participants have committed to buying a large part.

Improving sustainability in the field is a good starting point. However, it is stated that to ensure Better Cotton is properly linked to the market and that growing demand for the product can be met requires a united effort of all supply chain players. Compared to several other commodity sectors the cotton chain is longer and more complex. Therefore, the trust among supply chain actors,

Corrigendum

Through inadvertence, the monthly statement of Upcountry Spot Rates appearing on Page No. 3 of issue No. 6 dated 08.05.2012 of this bulletin has been mentioned as March 2012 instead of April 2012. We regret the error.

must be strengthened so as to reduce risks and uncertainties. One has to understand the long-term benefit of enabling Better Cotton and be more aware of the opportunities this new commodity can bring. Unlike other sustainability programmes such as organic and fair trade, the Better Cotton Fast Track Programme does not give premiums to farmers. Since it is intended as a mainstream commodity, the vision is stated to be that Better Cotton should be traded at market prices. Instead of premium prices, farmers will benefit from cotton reductions achieved through the adoption

of good agricultural practice and decent labour conditions.

It is claimed that this improvement has been witnessed in a project in India. Farmers who are involved in the Better Cotton Programme are stated to be now spending less money on farm inputs and production. In addition to improving their incomes, the programme appears to have also improved farmers' knowledge of health and safety issues, for instance, like wearing safety kits while working with pesticides.

Maharashtra Plans to Adopt 'Brazilian Model' for Cotton Cultivation

The Maharashtra Government is planning to adopt the 'Brazilian pattern' for boosting cotton yield in rain-fed areas of the State.

Brazil, despite having 14 lakh hectares of land under rain-fed conditions for cotton cultivation, manages to produce about 1,495 kg of cotton a hectare. The global average is 745 kg a hectare, while China produces 1,226 kg and Pakistan 668 kg.

The State Government wants to increase productivity from the current 475 kg a hectare to 600, a senior official said.

The Brazilian model is based on high density cultivation practices, where at times about one lakh shrubs are planted over one acre area. Rather than using Bt cotton seeds, Brazilian farmers prefer traditional varieties.

The official said that if the Brazilian model can be replicated here, farmers in Maharashtra would be able to produce their own seeds. Today, over 90 per cent of farmers have planted Bt cotton in the State. Use of traditional seeds will reduce their dependency on seed companies. This move could also help the Government combat the problem arising of growers cultivating cotton on dry lands, especially in the Vidarbha region.

Brazil has managed to get higher yield because of greater mechanisation. They have developed cotton harvesters that have been customised for their farm conditions. Planting of the seeds and application of fertilisers in Brazil is done at the same time, the official said.

A high-level delegation comprising government officials have visited Brazil and submitted their recommendations to the Centre.

(Source: Business Line - 17.05.2012)

Cotton Arrivals

The Cotton Corporation of India is quoted to have stated that according to the data gathered by it, cotton arrivals this year were lower by 1.8 percent compared to last year. Arrivals by the first week of May are said to have aggregated to 304.7 lakh bales this year as against 310.5 lakh bales by the same period last year.

Merchandise Exports

Merchandise exports from the country reportedly grew just by 3.2 per cent in April to touch 24.5 billion US dollars (USD). The sectors that fell behind in exports are stated to be textiles and gems and jewellery. Imports are stated to have posted a growth of 3.8 per cent to touch 37.9 billion USD, resulting in a trade deficit of 13.4 billion USD in April. Looking to the slowdown in exports, Government circles are stated to be apprehensive about achieving the target of 500 billion USD by 2013-14.

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) 2011-12 Crop May 2012					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	14th	15th	16th	17th	18th	19th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	15	9392 (33400)	9392 (33400)	9476 (33700)	9392 (33400)	9336 (33200)	9336 (33200)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 – 7.0	15	9673 (34400)	9673 (34400)	9758 (34700)	9673 (34400)	9617 (34200)	9617 (34200)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	20	7227 (25700)	7227 (25700)	7227 (25700)	7227 (25700)	7142 (25400)	7142 (25400)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	21	8155 (29000)	8155 (29000)	8155 (29000)	8099 (28800)	8099 (28800)	8099 (28800)
5	M/M	ICS-104	Fine	24mm	4.0 – 5.5	23	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
6	P/H/R	ICS-202	Fine	26mm	3.5 – 4.9	26	9083 (32300)	9083 (32300)	9195 (32700)	9139 (32500)	9055 (32200)	8970 (31900)
7	M/M/A	ICS-105	Fine	26mm	3.0 – 3.4	25	8155 (29000)	8155 (29000)	8155 (29000)	8155 (29000)	8155 (29000)	8155 (29000)
8	M/M/A	ICS-105	Fine	26mm	3.5 – 4.9	25	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
9	P/H/R	ICS-105	Fine	27mm	3.5 – 4.9	26	9420 (33500)	9420 (33500)	9533 (33900)	9476 (33700)	9392 (33400)	9336 (33200)
10	M/M/A	ICS-105	Fine	27mm	3.0 – 3.4	26	8436 (30000)	8436 (30000)	8436 (30000)	8380 (29800)	8295 (29500)	8239 (29300)
11	M/M/A	ICS-105	Fine	27mm	3.5 – 4.9	26	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
12	P/H/R	ICS-105	Fine	28mm	3.5 – 4.9	27	9786 (34800)	9786 (34800)	9898 (35200)	9758 (34700)	9673 (34400)	9617 (34200)
13	M/M/A	ICS-105	Fine	28mm	3.5 – 4.9	27	9420 (33500)	9420 (33500)	9420 (33500)	9280 (33000)	9195 (32700)	9139 (32500)
14	GUJ	ICS-105	Fine	28mm	3.5 – 4.9	27	9420 (33500)	9420 (33500)	9448 (33600)	9364 (33300)	9280 (33000)	9223 (32800)
15	M/M/ A/K	ICS-105	Fine	29mm	3.5 – 4.9	28	9533 (33900)	9533 (33900)	9561 (34000)	9476 (33700)	9420 (33500)	9420 (33500)
16	GUJ	ICS-105	Fine	29mm	3.5 – 4.9	28	9561 (34000)	9561 (34000)	9589 (34100)	9505 (33800)	9448 (33600)	9448 (33600)
17	M/M/ A/K	ICS-105	Fine	30mm	3.5 – 4.9	29	9701 (34500)	9701 (34500)	9729 (34600)	9673 (34400)	9617 (34200)	9617 (34200)
18	M/M/A/ K/T/O	ICS-105	Fine	31mm	3.5 – 4.9	30	9842 (35000)	9842 (35000)	9870 (35100)	9814 (34900)	9758 (34700)	9758 (34700)
19	K/A/ T/O	ICS-106	Fine	32mm	3.5 – 4.9	31	10123 (36000)	10123 (36000)	10151 (36100)	10095 (35900)	10095 (35900)	10095 (35900)
20	M(P)/ K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	12654 (45000)	12654 (45000)	12654 (45000)	12598 (44800)	12598 (44800)	12598 (44800)

(Note: Figures in bracket indicate prices in Rs./Candy) N.Q. = Not Quoted