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Cotton Statistics And News

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Outlook for Next Cotton Season

In the wake of firm prices last year, there are possibilities that the cotton acreage in the country may jump to 9.5 million hectares in 2009-10. Around 9.4 million hectares of land was brought under cotton cultivation in 2008-09. Steep hike in minimum support price (MSP) of cotton resulted in better returns for farmers. An increased number of farmers are likely to opt for cotton production, after benefiting from high prices last year. The industry players see an increase in the cotton acreage on expectation of better monsoon and sowing process, which has already started in some States.

Cotton sowings has started in some North Indian States — Punjab, Haryana and Rajasthan. The trend this year looks better and cotton acreage and yield should be on the rise. A source from Ahmedabad states that in Gujarat, areas such as Bharuch and Central Gujarat as well as Saurashtra, have seen sowing of cotton. The acreage is estimated to increase substantially in 2009-10. Maharashtra and Andhra Pradesh may also see a major shift to cotton production this year. There

was increased sowing of soybean in Maharashtra in the last season but farmers did not get returns as good as cotton farmers. The farmers in Maharashtra may shift to cotton this year. Genetically modified Bt cotton seeds are likely to be used for a record 92-93 percent of the total area in Maharashtra, says a report. Same is the case with tobacco farmers in Andhra Pradesh, report adds.

The total area under Bt cotton hybrid seed may rise up to 19 million acres in the upcoming sowing season from 17.6 million last year, top official of biotech seed company Mahyco-Monsanto Biotech Ltd stated, raising prospects for high yields.

Much of the acreage and output will also depend on the arrival and distribution of monsoon rains.

It may be recalled that CAB had estimated the cotton production to be lower at 290 lakh bales in 2008-09 as compared to 315 lakh bales in 2007-08. However, industry players estimate a crop of 340 lakh bales in the ensuing 2009-10 season.

New Chairman of COTAAP Appointed

Shri K.F. Jhunjhunwala, former President of Cotton Association of India (CAI), has been appointed as Chairman of Cotton and Allied Products (COTAAP) Research Foundation, the research arm of CAI. He has taken over this mantle from Shri Suresh A. Kotak, the outgoing Chairman of COTAAP.

GDP Growth Accelerates in Q4

The Indian economy logged a better than expected 6.7 percent growth in 2008-09 despite the global financial melt-down adversely impacting its output in the second half of the fiscal year.

The growth performance is, however, the weakest in six years and lower than the growth rate of 9 percent or above witnessed in the previous three years.

Job Losses in Textile Industry Mostly Confined to Unorganised Sector - CITI

The Textile industry in the country has been one of the worst affected owing to the slowdown of economic growth in India and the global financial crisis. This had brought down both the domestic and overseas demand considerably. It has been reported that exporting mills had been particularly affected a few months back since not only had fresh overseas orders almost dried up but there had also been large scale payment defaults. The setback to the textile industry had, in turn, affected the cotton market since the demand came down sharply particularly as the steep hike in minimum support prices pushed up cotton market prices well above last year's level.

Another consequence of the industry's woes was said to be large scale job losses. In a statement some time ago, the Confederation of Indian Textile Industry (CITI) claimed that the job losses have been to the extent of a million. It is now reported that most of the losses have been in the unorganised sector. The worst hit are said to be fabricators (those who convert yarn into fabrics which are later used by garment making units). Fabricators, it is stated, receive 25 to 30 percent of their orders from big textile companies.

In a further clarification, CITI's Secretary General is quoted to have stated that the estimate of job losses was made not on the basis of any sample

survey but was based on a 3 percent drop in production given out in the provisional Index of Industrial Production. In estimating the number of job losses the concept of "opportunity cost" which meant the number of people who would have been employed in case demand and production had not slackened, was used.

In the case of textile companies in the organised sector, it is stated that a sample study of a few leading units including largest exporters and a mix of small and medium enterprises showed little job cuts. It would appear that most of the units adopted routine cost-cutting procedures and streamlining production. It is relevant to add here that mill demand for cotton had also revived to some extent recently.

Cotton Arrivals down 9.2 percent

The Cotton Corporation of India has placed the cotton arrivals in the country at 277 lakh bales by May 23, 28 lakh bales lower than the arrivals by the same period last year. The major fall continued to be in Gujarat with this year's arrivals placed at 81 lakh bales compared to last year's 110 lakh bales pointing to a substantial fall in production. One State which has recorded significantly higher arrivals this year is Andhra Pradesh with arrivals placed at 51.6 lakh bales compared to last year's 43.7 lakh bales. Maharashtra's arrivals are also higher this year at 63.5 lakh bales as against 60.25 lakh bales last year.

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Sale Price of Bt. Cotton Seed

The Andhra Pradesh Government has fixed the sale price of Bollgard-I cotton seed at Rs.650 and that of Bollgard-II seed at Rs.750 per packet of 450 gm. for the current Kharif cotton season. Orders have already been issued to all seed manufacturers and distributors to sell the seed at the stipulated rates, it is stated. It will be recalled that the Andhra Pradesh Government had taken the initiative last year to mandate Bt cotton seed manufacturers to sell at the reduced rate of Rs.750 instead of Rs.1850 per packet they had been charging a few seasons ago. Subsequently, other State Governments had also taken similar action.

ICAC Makes a Comprehensive Review of World Cotton Market Trends

(continued from last issue...)

The ICAC review of world cotton market trends states that since 2007-08, the world cotton market has been affected by three successive events: a global commodity price crisis which resulted in higher agricultural production cost and reduced world cotton area; a crisis in the cotton futures market which hurt cotton trade mechanisms; and a global financial and economic crisis which has had multiple effects on cotton mill use, trade and production.

Prices of most commodities increased significantly between 2003 and the first half of 2008. This increase accelerated considerably since 2007. Crude oil prices rose sharply and the increased energy prices triggered an escalation in fertilizer prices from mid-2007 to mid-2008. The rise in energy and fertilizer prices generated an increase in agriculture production costs. Due to various reasons, cotton production costs have been relatively more affected than the other competing food and oilseed crops.

Thus, returns from the other crops were more attractive and many farmers opted out of cotton production and switched over to other crops. This led to a five percent decline in world cotton area in 2007-08 and a six percent decline in 2008-09. The decline was particularly marked at 21 percent in US and 27 percent in Mexico.

Coming to the crisis in cotton futures market, ICAC review states that futures prices were extremely volatile during March 2008, mostly because of increased speculative activity at the Intercontinental Exchange (ICE) and volatility in prices of competing commodities. The Cotlook A Index also demonstrated the volatility, reaching of high of 90 US cents per pound on March 3, 2008 and falling to a low of 74 USC per pound on March 20, 2008. The sharp price volatility in the cotton futures market during March, which was not stemming from trade of physical cotton, led to substantial losses amongst cotton merchants. It drove some of them to bankruptcy and some others just decided to go out of cotton business. When futures prices hit high levels at the ICE, mill buyers of cotton were not willing to pay. The short-lived spike in prices during March caused a liquidity crisis and many merchants were forced to liquidate their positions at a loss.

Other consequence of the March 2008 events were a decrease in banks' trust in the cotton futures market and a tightening of credit for merchants' margin calls, a reduced trust of cotton markets' participants in the mechanisms of cotton futures

market, and difficulties for merchants to purchase in advance and at fixed prices large quantities of cotton as was the practice before the crisis.

The third crisis faced by the world cotton market was the global financial and economic crisis. The world economy expanded robustly in 2007, for the fourth consecutive year, spurred by rapid economic growth in developing countries. However, August 2007 marked the beginning of a period of global economic deceleration and crisis in the functioning of the housing, financial and commodity markets. The global economic growth decelerated from 5.2 percent in 2007 to 3.4 percent in 2008. The World Bank has forecast a contraction of 1.7 percent in global economic growth in 2009 and recovery to 2.3 percent in 2010. Output in high-income economies, where about half of world end-use cotton consumption takes place, is expected to contract by 2.9 percent in 2009 while output growth in developing countries is expected to slow to 2.1 percent from 5.8 percent in 2008.

While the two crises mentioned earlier primarily affected cotton production and trade, the global economic crisis is influencing mainly cotton consumption. In addition, tightening credit conditions for textile mills are slowing their purchases of raw materials, including cotton. In some countries like the US and Europe, the global-economic crisis is accelerating a decline in cotton mill use that started many years ago due to other factors. In other countries like China and India, the largest cotton consumers, cotton mill use is contracting in 2008-09 for the first time in many years. Consequent to all these, world cotton mill use is expected to fall by 10 percent in 2008-09 to 23.6 mt the steepest decline since 1945.

Thus, the global economic crisis through its impact on world cotton mill use, is also affecting the cotton trade, stocks and production. The lower cotton demand this season is causing a 25 percent drop in imports, to 6.2 mt. The share of imports to world mill use, which averaged 31 percent in the last decade, is falling to 26 percent, reflecting tighter credit conditions, tighter operating margins for textile mills and caution on the part of textile mill operators. Chinese imports, which represented 30 percent of global imports last season, are expected to drop by 40 percent in 2008-09 to 1.5 mt. Exporters are forced to carry larger stocks than desired as exports are projected down by 14 percent in the US to 2.6 mt, by 57 percent in India to 6.5 mt and by 38 percent in Uzbekistan to 5.5 mt.

S N I P P E T S

Apparel exports from the country have reportedly posted an increase of 4.6 percent in 2008-09 compared to the previous year. The value of apparel exports in 2008-09 is placed at \$ 10.13 billion as against \$ 9.68 billion in 2007-08. In rupee terms, the value in 2008-09 was Rs.46,628 crore, an increase of 19.6 percent over exports worth Rs.39,002 crore in 2007-08. Although the achievement in 2008-09 falls short of the target of \$ 11.62 billion fixed for the year, it should be considered as creditable that exports could exceed last year's level in spite of the global recession and fall in demand from major markets like US and Europe.



India's industrial output in March this year contracted by 2.3 percent, says a report quoting official data. This has been the sharpest fall in recent years, giving rise to fears of a sustained industrial slowdown. Of particular concern was that the manufacturing sector which accounts for 30 percent of the index of industrial production, plunged by 3.3 percent in March as against last

year's growth of 5.7 percent. Overall industrial output during the year 2008-09 grew by 2.4 percent, down from last year's 8.5 percent.



Performance review of a sample of 715 companies, excluding banks and financial institutions, is reported to have shown some early signs of a turnaround in corporate fortunes. Net profits during the fourth quarter of 2008 were slightly better compared to those in the preceding quarter. Although sales declined by 1.4 percent during the first quarter of 2009, profits are stated to have been higher by 23 percent.



The total registration for raw cotton exports from the country have come to 23.6 lakh bales and shipments to 12 lakh bales by April, according to the data maintained by the Office of the Textile Commissioner.



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 May 2009					
					23rd	25th	26th	27th	28th	29th
01.	ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0 15	H	23400	23300	23300	23300	23300
02.	ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0 15	O	24100	24000	24000	24000	24000
03.	ICS-102	22mm	V-797	4.5-5.9 19		17800	17700	17500	17500	17500
04.	ICS-103	23mm	Jayadhar	4.0-5.5 19	L	18300	18200	18200	18200	18200
05.	ICS-104	24mm	Y-1	4.0-5.5 20		20800	20700	20700	20700	20700
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9 23	I	23100	23000	23000	23000	23000
07.	ICS-105	25mm	NHH-44	3.5-4.9 22		20800	20700	20700	20700	20700
08.	ICS-105	27mm	LRA-5166	3.5-4.9 24	D	21400	21300	21200	21200	21200
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9 25	A	22000	21900	21800	21800	21800
10.	ICS-105	29mm	S-6	3.5-4.9 26		23700	23600	23400	23400	23400
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27	Y	23100	23000	23000	23000	23000
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5 28		23800	23700	23700	23700	23700
13.	ICS-107	35mm	DCH-32	2.8-3.6 31		32300	32200	32200	32200	32200
14.	ICS-301	26mm	ICC	3.7-4.3 25		22200	22100	22100	22100	22100