

Weekly Publication of



**Cotton
Association
of India**

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2019-20 • No. 12 • 18th June, 2019 Published every Tuesday

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Reducing Cotton Contamination

Shri. Sanjay K. Jain, Chairman, Confederation of Textile Industry (CITI) and Managing Director, TT Ltd

Shri. Sanjay K Jain is the Chairman of Confederation of Indian Textile Industry (CITI) and Managing Director of TT Limited, a vertically integrated textiles company having its manufacturing units in various states of the country. TT is listed on NSE & BSE and sells across the globe. He is also Chairman of NITRA and Textile Sector Skill Council.

Shri. Jain is a double gold medalist from IIM, Ahmedabad and a Rank

Holder, Cost Accountant and Company Secretary. He is also immediate Past Chairman of NITMA, Vice President of FOHMA and WBHA. He is also on the board of several committees including Texprocil, SIMA, FICCI Textiles Group, MCCI and various other bodies.

He was awarded the prestigious BW Business World & GOPIO Global Business Award for "Contribution to India's International Trade by a Resident Indian". He has also been awarded the Asia Entrepreneurship Award and in 2010 he received

the Udyog Ratna Award.



GUEST COLUMN

Shri. Sanjay K. Jain
Chairman, Confederation of Indian Textile Industry (CITI)

Highlights of Indian Cotton

- India has the world's largest area under cotton cultivation that amounts to about 36% of the total cotton area in the world. India is producing more than 6 million tons of cotton (world's largest) that amounts to 25% of the world cotton production. However, the cotton yield of India is in the range of 550 kgs per hectares that is lowest among the largest five cotton producing countries. India is also the second largest consumer of the cotton.
- BT cotton in India was introduced in the year 2002-03, which resulted in improving the cotton yield level of the country from about 300 kgs/ hectares to about 550 kgs/ hectares. Highest yield of about 565 kg hectares was recorded in the year 2013-14. However, from the last couple of years, yield levels of the country have been deteriorating. Such stagnant yield rather decreasing yield levels can be attributed to technology fatigue. Indian cotton seeds have developed resistance to the pests.

- Appearance of the pink boll worm in the Maharashtra, Telangana and Gujarat states and attack of white fly in the north zone (particularly Punjab and Haryana) in the last couple of years, is affecting the yield and quality of Indian cotton crop.
- Therefore, there is an urgent need to have the right quality of seed so as to have full protection from the pest attacks.
- Most of the Indian cotton is roller ginned and it is hand-picked. It has better length, lower Neps and short fibres as compared to the saw ginned cotton and better touch feel.
- Most of the Indian farmers are collecting the seed cotton in used fertilizer bags that are made of High Density Polyethylene (HDPE) / Polypropylene. While collecting the seed cotton in such bags, some particles and material of the bags also get into the seed cotton that multiplies at the ginning stage because of mechanical treatment to the seed cotton.
- Contamination also gets added at various stages such as; (i) storage in raw cotton form, (ii) during transported to ginning mills; (iii) processing at ginning and pressing mills.
- During spinning, contaminants in the ginned cotton are processed into the yarn and further in the fabric that apparently appears differently in the dyed fabric.

Contamination Issues in Indian Cotton

- The high level of contamination in Indian cotton is a key factor that discounts the Indian cotton despite of its excellent fibre properties. As per the survey conducted by the International Textiles Manufacturers Federation (ITMF) - conducted after every alternative year - Indian cotton is ranked as the most contaminated growth in the world. Being hand-picked, Indian cotton gets contaminated with contaminants like hairs, colour threads, Polypropylene, feather, plastic, jute, etc. during its movement right from the collection of the seed cotton from the cotton field to the ginning and pressing stage.

As a result, Indian cotton is discounted by about 8-10% as compared to the growths of other leading cotton producing countries like USA, Australia and Brazil that are considered to be least contaminated growths because of mechanically picking and other good practices/processes.

The following table highlights the weekly comparison chart of Indian Cotton Vis-à-vis international prices.

Price Differential of Indian Cotton versus Cotlook Index A

Date	Cotlook Index A	S 6 price/ candy	S 6 Price	USD / INR rate	Difference
	In US Cents/ lbs	A Grade (in INR)*	(In US Cents/ lbs)	1 USD = INR	S 6 less Cotlook A
12.02.18	87.55	40,300	82	64.28	-5.55
13.02.18	87.35	40,300	82	64.27	-5.35
14.02.18	87.35	40,000	82	64.08	-5.35
15.02.18	86.85	40,000	82	63.93	-4.85
16.02.18	86.6	39,900	81	64.33	-5.60

Cotlook Index comprises of the 5 lowest priced cotton in the world, however USA/Australian cotton which is contamination free enjoys a higher price than Cotlook Index.

Possible Solutions for Contamination Reduction
If the Indian farmers are successful in controlling the contamination right at the outset, from the field, then it can add value in the entire cotton textile value chain by more than 10%. This can be done in the following ways:

- By providing cotton bags to the farmers so that seed-cotton can be picked and transported in these bags to the ginning factories. These cotton bags can be provided to the cotton farmers under 'Svachh Cotton Abhiyan'. By collecting the seed cotton in this way, farmers will also be able to get the premium for their produce in the market.
- Fertilizers companies can be urged to use coloured plastic/ Polypropylene bags instead of white plastic or Polypropylene bags because contamination removal instruments installed by the spinning mills at the blow room stage can identify and remove the coloured contaminations only. White coloured contaminations like white coloured poly propylene/white plastic cannot be traced by the cameras of the contamination removal instruments. By doing this, contaminants of white PP can be avoided in the end product (yarn or fabric) and this in turn, will fetch a better price to the textile value chain.
- Educate female workers to tie their hair, wear caps and aprons while plucking cotton
- Providing caps for labourers.
- Employ practices to reduce labour involvement in cotton picking – simple devices like SIMA plucker (costs just Rs. 9,000 and has a pay back of just a week) will reduce labour requirements drastically leading to less contamination. We can also start exploring mechanised picks as done in many countries.
- Avoidance of gutkha, pan, chewing gum, etc. by workers in farms and ginneries.
- Using cotton cloth for laying on vehicle which carries cotton from farmer to market place to ginner.
- Disseminating information amongst farmers and labourers on cotton contamination and benefits of clean cotton.
- Government incentives to farmers to adopt contamination free practices – CCI could play an important role by paying premium for such cotton on a pilot basis would later be spread to the industry
- Extra prices (in the form of increased MSP) for farmers accredited with best practices for contamination free cotton.
- Make available regular Audit & Certifying Agencies for farmers and ginning mills.
- Facilitate large scale awareness camps amongst farmers and spinning mills about contamination and the detrimental impact of HDPE bags on the textile industry. Also, skill development and capacity building of farmers and ginning mills on innovative measures to curtail contamination.
- Encourage cooperative farms to ginning operations, so that the best practices can be adopted giving better value to the farmers for their produce.

It is important to note that even African cotton is much less contaminated (though not contamination free like USA and Australia) and enjoys much higher prices than Indian cotton.

Courtesy: Cotton India 2018 (Domestic)

(The views expressed in this column are of the author and not that of Cotton Association of India)

Warehouse Financing for Cotton

A post graduate Business Management student from the University of Cardiff in Wales, Shri. Alok Makharia is responsible for starting various technology companies including tying up with leading business houses. Presently, he heads a leading commodities trading company which is responsible for spot and futures trading in the textile and cotton space.



GUEST COLUMN

Shri. Alok Makharia
Partner, Shykam Exim

Credit is extremely important for the business of commodity. Farmers, ginnors, traders, processors, stockists or mills who have or want to avail credit limits from banks might have found it challenging to get sanctions unless the borrower pledges some real estate or fixed deposits or other tangible assets as collateral. But only until now.

Banks have moved beyond the balance sheet and have contemporised product offerings such as warehouse finance, which came into force from 2010 in India. This finance received a major impetus post enactment of the Warehousing (Development and Regulation) Act of 2007. Since the introduction of the negotiable warehouse receipt as a financing instrument, the amount of credit dispensed every year with warehouse receipts as collateral has increased steadily.

The current volume of annual warehouse receipt finance is estimated at INR 35,000 crore (USD 5.4 billion) and projected to grow to INR 1 lakh crore (USD 15 billion) by 2020.

Warehouse financing is a structured product, which primarily offers financing on inventories. It can be given as a loan by banks or NBFC's to a borrower on the basis of stocks such as cotton bales or commodities, which can be held in trust in an approved warehouse as collateral.

A balance sheet need not be considered while giving these loans.

Till recently, the focus of policy makers and lending institutions in India was to extend credit with an intention to boost farm productivity. Of late, more and more commodity patrons, though only few from the cotton economy are using warehousing receipts as a tool to meet their working capital and consumption needs after the harvest season.

However, the presence of this product in cotton is still not very visible with leading banks and NBFC's just about coming together to make this offering to the trade. The 'Bombay Cotton Merchants & Muccadams Association' has been actively lobbying with banks to provide this product to all their cotton members.

From the point of view of the farmers, processors and traders, the availability of reasonably priced credit from the organised sector against harvested produce is certainly an advantage. It encourages storage by increasing liquidity in entire commodity chains, which in turn reduces price volatility. It prevents distress sales at unfavourable prices and enables stakeholders of commodity or cotton to time their sales for the right price.

By giving the eco system access to a new financing tool, it enhances their ability and incentives to invest in production over price volatility.

Traders or ginnors can make use of this product especially when they have hedged their bets on the cotton or commodity exchange. Warehouse finance can be availed for their cotton inventories while they have safely booked a sell price on the exchange.



This can further help their company to improve their credit rating, lower their borrowing costs and potentially secure a larger loan as they could go beyond their existing banking limits.

The borrower will find several benefits in availing this form of a debt. Warehouse finance leverages the use of raw material like cotton bales as the principal collateral, which enables borrowers to obtain financing on more favourable terms compared to the expensive short-term working capital or unsecured loans. Also, the repayment can be easily scheduled with the actual usage of the raw material.

Additionally, the borrower has the added benefits of availing this credit at a relatively low cost compared to other loans without providing any personal guarantees to banks because this is a form of secured lending from the financier's point of view.

The cotton inventory, which is deposited in a lender approved warehouse is contractually pledged to the financier so that if the borrower fails to pay, the lender can take the inventory and sell it on the open market to recover the loan. As they will not be involved in lengthy legal battles to recover the loan in the way they would if the loan were unsecured, the financier will offer this credit at a good price.

How Does Warehouse Finance Work for Cotton?

1. Goods have to be deposited in a bank approved warehouse. If this warehouse is at the ginner's premises, a separate area with lock and key will have to be provided to the bank.
2. Bank will physically check quantity and quality of stock. All cost of testing and

personnel going to warehouse and testing the cotton to be borne by borrower.

3. Bank will take lien of the goods, borrower to transfer the warehouse receipt in the banks name
4. Banks will value the goods and then release upto 70% of the funds to the borrower.

Since early 2000 many emerging agri-economies such as Brazil, Indonesia and Ukraine have adopted the warehouse receipts system successfully as readily marketable inventory offers a borrowing cost advantage to commodity producers over other types of companies that also want access to debt financing.

There are currently 1152 warehouses across India that are certified to issue negotiable warehouse receipts, distributed inequitably across the country. It is only fair to suggest that this product is still in a nascent stage and will only become more important with more warehouses coming up closer to cotton centres.

Banks and NBFC's are getting more actively involved in educating all merchants of the cotton trade to start using this finance. It is time for all to keep a close eye and avail Warehouse Finance as this could well be the future of the cotton business.

Courtesy: Cotton India 2018 (Domestic)

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Update on Cotton Acreage

(As on 13.06.2019)

Sr. No.	State	Normal Area (DES)*	Normal Area as on Date (2014-2018)	Area Covered (SDA)					
				2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Andhra Pradesh	6.51	0.254	0.034	0.060	0.067	0.030	0.092	0.240
2	Telangana	16.98	1.418	0.000	1.700	0.000	0.730	2.920	0.750
3	Gujarat	26.04	1.907	0.400	0.479	1.420	0.508	0.000	2.590
4	Haryana	6.07	5.668	6.720	6.560	6.300	5.000	5.800	6.380
5	Karnataka	6.47	1.196	0.420	1.130	0.640	0.760	1.520	1.250
6	Madhya Pradesh	5.65	0.924	0.000	1.090	1.000	0.000	0.820	0.630
7	Maharashtra	41.48	1.177	0.000	0.119	0.360	0.225	2.150	0.010
8	Odisha	1.31	0.066	0.000	0.102	0.000	0.000	0.180	0.060
9	Punjab	3.56	4.098	4.010	2.840	3.820	2.520	4.120	5.000
10	Rajasthan	4.77	2.382	3.450	2.639	2.730	2.271	1.830	2.830
11	Tamil Nadu	1.61	0.020	0.022	0.024	0.048	0.031	0.021	0.000
12	Others	0.43	0.231	0.262	0.172	0.286	0.170	0.210	0.260
All India		120.880	19.341	15.318	16.915	16.671	12.245	19.663	20.000

* Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare, Krishi Bhavan, New Delhi
Source : Directorate of Cotton Development, Nagpur



Since 1921,
we are dedicated to the cause of Indian cotton.
 Just one of the reasons, you should use our Laboratory Testing Services.

The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centres in India and are equipped with:

- State-of-the-art technology & world-class Premier and MAG cotton testing machines
- HVI test mode with trash% tested gravimetrically

LABORATORY LOCATIONS

Current locations : • Maharashtra : Mumbai; Yavatmal; Aurangabad • Gujarat : Rajkot; Kadi; Ahmedabad • Andhra Pradesh : Adoni
 • Madhya Pradesh : Khargone • Karnataka : Hubli • Punjab : Bathinda • Telangana: Warangal, Adilabad

UPCOMING LOCATIONS

• Telangana: Mahbubnagar



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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) 2018-19 Crop June 2019					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	10th	11th	12th	13th	14th	15th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11614 (41300)	11614 (41300)	11614 (41300)	11614 (41300)	11614 (41300)	11614 (41300)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11754 (41800)	11754 (41800)	11754 (41800)	11754 (41800)	11754 (41800)	11754 (41800)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	9870 (35100)	9870 (35100)	9870 (35100)	9870 (35100)	9870 (35100)	9842 (35000)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	10995 (39100)	10995 (39100)	10995 (39100)	10995 (39100)	10995 (39100)	10967 (39000)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	11276 (40100)	11276 (40100)	11276 (40100)	11276 (40100)	11276 (40100)	11248 (40000)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	12991 (46200)	12991 (46200)	12991 (46200)	13020 (46300)	13020 (46300)	12991 (46200)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	11642 (41400)	11642 (41400)	11642 (41400)	11670 (41500)	11670 (41500)	11642 (41400)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	11895 (42300)	11895 (42300)	11895 (42300)	11923 (42400)	11923 (42400)	11923 (42400)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	13076 (46500)	13076 (46500)	13076 (46500)	13104 (46600)	13104 (46600)	13076 (46500)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	11810 (42000)	11810 (42000)	11810 (42000)	11838 (42100)	11838 (42100)	11810 (42000)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	12035 (42800)	12035 (42800)	12035 (42800)	12063 (42900)	12063 (42900)	12063 (42900)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	13132 (46700)	13132 (46700)	13132 (46700)	13160 (46800)	13160 (46800)	13132 (46700)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	12513 (44500)	12513 (44500)	12513 (44500)	12541 (44600)	12541 (44600)	12541 (44600)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	12598 (44800)	12598 (44800)	12598 (44800)	12626 (44900)	12626 (44900)	12598 (44800)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	12795 (45500)	12795 (45500)	12795 (45500)	12823 (45600)	12823 (45600)	12795 (45500)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12823 (45600)	12823 (45600)	12823 (45600)	12851 (45700)	12851 (45700)	12823 (45600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	13104 (46600)	13104 (46600)	13104 (46600)	13132 (46700)	13132 (46700)	13104 (46600)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	13385 (47600)	13385 (47600)	13385 (47600)	13413 (47700)	13413 (47700)	13413 (47700)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	13638 (48500)	13638 (48500)	13638 (48500)	13666 (48600)	13666 (48600)	13666 (48600)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15325 (54500)	15325 (54500)	15325 (54500)	15325 (54500)	15325 (54500)	15297 (54400)

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