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Cotton Statistics And News

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Monthly Up-date by ICAC on World Cotton Situation

During the current season, world cotton production is estimated to be down from last years' 23.43 million tonnes (mt) to 22.08 mt, while consumption is expected to go up from 23.38 mt to 24.38 mt owing to the faster than expected recovery in world economic growth. Consequently, the world ending stock is forecast to shrink from last year's 12.75 mt to 10.47 mt leading to hardening of prices. These are some of the estimates made by the International Cotton Advisory Committee (ICAC) in its latest release on June 1.

The major fall in production, according to the ICAC, will be accounted for by China whose crop this year is placed at 6.80 mt as against 8.03 mt last year. A marginal increase from 4.93 mt to 5.10 mt is forecast in the case of Indian Crop. World Cotton Consumption is projected to be higher at 24.38 mt this year against last year's 23.38 mt. Consumption in both China and India is expected go up to 9.7 mt and 4.2 mt respectively. In fact, these two countries will be accounting for as much as 57% of the total world consumption. World Cotton trade in 2009-10 is forecast to be up to 7.59 mt from last year's 6.61 mt, propelled mainly by higher imports of China from last year's 1.52 mt to 2.23 mt this year. Consequent to the consumption surpassing production, world ending stock of cotton is projected to go down to 10.47 mt, the lowest in last six years.

This fall in stock and higher imports by China have fuelled world cotton prices to move up steadily this year and the Cotlook A Index pierced the 90 US Cents (USC) mark in April 2010. The seasonal average Index has been placed at 78 USC per pound, an increase of nearly 17 USC per pound from last year's average of 61.2 USC.

ICAC expects the world cotton area to show a rise of 9% to 32.9 million hectares in 2010-11, the first

time in four seasons when the area will be increasing. This would be the direct result of a significant increase in cotton prices during the current season and the coinciding declining prices of major competing crops. While expansion of area will take place in most producing countries, USA and India are expected to account for more than half of the projected world increase.

World cotton production in 2010-11 is forecast up by 13% to 24.9 mt. This is the first time in five years that production shown an increase. As much as 36% of this increase is expected to be accounted for by US. India's crop has been projected to reach a record 5.5 mt in the ensuing season, assuming that plantings will be higher and the weather more favourable than this year. A 7% increase to 2.3 mt is forecast in the case of

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Pakistan's crop, driven mostly by higher area while only a marginal increase in production is expected in China.

ICAC has forecast the world cotton mill use to continue to recover in 2010-11, growing by 2% to 24.8 mt aided by the continued improvement in global economic growth, although limited by high cotton prices. Chinese and Indian textile sectors are expected to drive global cotton consumption in 2010-11.

As global cotton production and mill use are forecast to be almost in balance in 2010-11, only a marginal increase to 10.6 mt is expected in world cotton stock. This is said to imply a global stock-to-use ratio of 43%, down from a five-year average of 50% from 2004-05 to 2008-09. Stocks, it is stated, are expected to remain low in many countries due to sustained demand, and Chinese stocks are projected to contract further to 2.9 mt after a significant drop already in 2009-10. World Cotton trade in 2010-11 is expected to continue to recover to 7.8 mt from this year's 7.6 mt, driven by a 21%

higher Chinese imports of 2.7 mt. While exports from US are expected to be 8% higher at 2.8 mt fuelled by higher production, India's exports are likely to decrease to 1.2 mt, states the ICAC.

Based on a price forecast of 78 USC per pound during the current season, ICAC Price Model has forecast a season-average Cotlook A Index of 85 USC per pound in 2010-11.

| WORLD COTTON BALANCE (As per ICAC) | | | |
|---|----------------|----------------|----------------|
| (in Million Tonnes) | | | |
| | 2008-09 | 2009-10 | 2010-11 |
| | | | (Proj.) |
| Production | 23.43 | 22.08 | 24.90 |
| Consumption | 23.88 | 24.38 | 24.81 |
| Imports/Exports | 6.55 | 7.59 | 7.78 |
| Ending Stock | 12.75 | 10.47 | 10.57 |
| Cotlook A Index | 61.20 | 78.00 | 85.00 |

Issue of Cotton Export Licences Started - Report

According to reports, the Government has started issuing licences for export of raw cotton to Pakistan and Bangladesh. It may be recalled in this context that it was recently reported that these two countries had addressed Indian Prime Minister to restore cotton exports to them since suspension of exports had severely affected their textile industries.

As per present report, initially, licences were issued to export around one lakh bales to around a dozen exporters. Exports will be subject to duty at a flat rate of Rs.2500 per tonne for all varieties. The report adds that the Directorate General of Foreign Trade (DGFT) has received applications for export licence for some 13 lakh bales which were registered earlier pending shipments.

In May, the Government had placed Cotton, Cotton Waste and Carded / Combed Cotton under restricted export items list with every shipment requiring licence from DGFT. This step was apparently taken for improving domestic cotton supply so as to bring down prices. After fresh registration process was suspended from April 19, exporters were asked to get previous registrations revalidated by the Textile Commissioner. It is estimated that if the Government issues export licences to all pending orders, total cotton exports from the country would rise to over 80 lakh bales in 2009-10 against last year's 35 lakh bales. The Cotton Advisory Board estimated exports at 80 lakh bales at its last meeting held in April.

India's Economy

India's economic recovery is well under way and the prospects are said to appear bright on all macro-economic fronts. It is now reported that according to World Bank's South Asia Economic Update, India's economy will grow at 8-9% over the next two years. It is, however, apprehended that inflation, rising interest rates, small appreciation in the rupee and continued low growth in high-income countries could weigh on the recovery.

Cotton Arrivals

Cotton arrivals up to the end of 2nd week of June have been placed at 289 lakh bales by the Cotton Corporation of India. This is about six lakh bales higher than the estimated arrivals of 283 lakh bales by the same period last season. The Cotton Advisory Board had estimated this year's cotton production at 292 lakh bales when it met on April 8.

SUPPLY AND DISTRIBUTION OF COTTON**June 01, 2010**

| Years Beginning August 1 | Million Metric Tons | | | | | |
|-----------------------------------|---------------------|---------------|---------------|---------------|--------------|---------------|
| | 2006/07 | 2007/08 | 2008/09Est | 2009/10Proj. | 2010/11Proj. | 2011/12 Proj. |
| BEGINNING STOCKS | | | | | | |
| WORLD TOTAL | 12.648 | 12.912 | 12.678 | 12.749 | 10.47 | 10.57 |
| China(Mainland) | 3.991 | 3.653 | 3.321 | 3.694 | 2.99 | 2.90 |
| USA | 1.321 | 2.064 | 2.188 | 1.380 | 0.64 | 0.75 |
| PRODUCTION | | | | | | |
| WORLD TOTAL | 26.791 | 26.049 | 23.428 | 22.084 | 24.90 | 25.75 |
| China (Mainland) | 7.975 | 8.071 | 8.025 | 6.800 | 7.09 | 7.34 |
| India | 4.760 | 5.219 | 4.930 | 5.100 | 5.53 | 5.67 |
| USA | 4.700 | 4.182 | 2.790 | 2.654 | 3.68 | 3.71 |
| Pakistan | 2.147 | 1.894 | 1.960 | 2.112 | 2.25 | 2.39 |
| Brazil | 1.524 | 1.602 | 1.214 | 1.274 | 1.42 | 1.49 |
| Uzbekistan | 1.171 | 1.206 | 1.000 | 0.900 | 1.06 | 1.09 |
| Others | 4.514 | 3.875 | 3.510 | 3.244 | 3.86 | 4.07 |
| CONSUMPTION | | | | | | |
| WORLD TOTAL | 26.450 | 26.384 | 23.378 | 24.378 | 24.81 | 25.18 |
| China (Mainland) | 10.600 | 10.900 | 9.156 | 9.705 | 9.88 | 10.05 |
| India | 3.908 | 4.050 | 3.863 | 4.211 | 4.38 | 4.51 |
| Pakistan | 2.633 | 2.521 | 2.400 | 2.400 | 2.45 | 2.50 |
| East Asia & Australia | 1.869 | 1.843 | 1.690 | 1.768 | 1.81 | 1.82 |
| Europe & Turkey | 2.087 | 1.751 | 1.428 | 1.440 | 1.43 | 1.46 |
| Brazil | 0.992 | 1.007 | 0.974 | 0.972 | 1.00 | 1.02 |
| USA | 1.074 | 0.998 | 0.781 | 0.740 | 0.70 | 0.67 |
| CIS | 0.682 | 0.664 | 0.602 | 0.589 | 0.58 | 0.57 |
| Others | 2.605 | 2.649 | 2.484 | 2.553 | 2.59 | 2.60 |
| EXPORTS | | | | | | |
| WORLD TOTAL | 8.100 | 8.359 | 6.547 | 7.574 | 7.77 | 8.01 |
| USA | 2.833 | 2.973 | 2.890 | 2.656 | 2.87 | 2.93 |
| Brazil | 0.283 | 0.486 | 0.596 | 0.410 | 0.45 | 0.50 |
| Uzbekistan | 0.980 | 0.887 | 0.560 | 0.813 | 0.83 | 0.84 |
| CFA Zone | 0.924 | 0.589 | 0.470 | 0.524 | 0.54 | 0.58 |
| India | 0.960 | 1.530 | 0.515 | 1.375 | 1.22 | 1.16 |
| Australia | 0.465 | 0.265 | 0.261 | 0.365 | 0.40 | 0.50 |
| IMPORTS | | | | | | |
| WORLD TOTAL | 8.187 | 8.396 | 6.611 | 7.586 | 7.78 | 8.01 |
| East Asia and Australia | 1.899 | 1.860 | 1.665 | 1.824 | 1.81 | 1.83 |
| China | 2.306 | 2.511 | 1.523 | 2.225 | 2.70 | 2.98 |
| Europe & Turkey | 1.344 | 1.085 | 0.879 | 1.031 | 0.91 | 0.94 |
| Pakistan | 0.502 | 0.851 | 0.452 | 0.400 | 0.30 | 0.21 |
| CIS | 0.322 | 0.271 | 0.242 | 0.228 | 0.21 | 0.20 |
| TRADE IMBALANCE 1/ | 0.087 | 0.037 | 0.065 | 0.012 | 0.00 | 0.00 |
| STOCKS ADJUSTMENT 2/ | -0.164 | 0.063 | -0.044 | 0.000 | 0.00 | 0.00 |
| ENDING STOCKS | | | | | | |
| WORLD TOTAL | 12.912 | 12.678 | 12.749 | 10.467 | 10.57 | 11.13 |
| China (Mainland) | 3.653 | 3.321 | 3.694 | 2.994 | 2.90 | 3.15 |
| USA | 2.064 | 2.188 | 1.380 | 0.637 | 0.75 | 0.85 |
| ENDING STOCKS/MILL USE (%) | | | | | | |
| WORLD-LESS-CHINA(M) 3/ | 58 | 60 | 64 | 51 | 51 | 53 |
| CHINA (MAINLAND) 4/ | 34 | 30 | 40 | 31 | 29 | 31 |
| Cotlook A Index 5/ | 59.15 | 72.90 | 61.20 | 78* | 85** | |

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.

4/ China's ending stocks divided by China's mill use, multiplied by 100.

5/ U.S.Cents per pound

* The price projection for 2009-10 is based on the ending stocks/consumption ratio in the world-less-China in 2007-08(estimate), in 2008-09 (estimate) and in 2009-10(projection), on the ratio of Chinese net imports to world imports in 2008-09(estimate) and 2009-10 (projection), and on the average price for the first ten months of 2009-10.

95% confidence interval: 75 to 81 cents per pound.

**The price projection for 2010/11 is based on the ending stocks/consumption ratio in the world-less-China in 2008/09(estimate), in 2009/10 (estimate) and in 2010/11 (projection), on the ration of Chinese net imports to world imports in 2009/10 (estimate) and 2010/11 (projection)

95% confidence interval: 72 to 101 cents per pound

SNIPPETS

The country's economy is reported to have posted a robust growth rate of 8.6 percent during the last quarter of 2009-10. This strong showing helped the growth during the fiscal 2009-10 to a record healthy 7.4 percent surpassing the earlier forecast of 7.2 percent. Manufacturing segment is stated to have led the way with a growth of 10.8 percent while, even agriculture, which was expected to show a decline ended with a marginal growth of 0.2 percent year-on-year. The GDP growth had showed down to 6.7 percent in 2008-09 following the global economic crisis, after exceeding 9 percent in the previous three years, it stated.



Merchandise exports from India reportedly grew by 36.2 percent in April to \$16.9 billion. This is the sixth month in a row when exports have been posting positive growth. Last April, in contrast, exports had contracted by more than 30 percent owing to drastic fall in world demand. Reflecting the growing domestic demand, imports are also stated to have increased by 43.3 percent in April to \$27.3 billion from \$19.05 billion a year ago. Consequently, trade deficit for April was higher at \$10.4 billion against \$6.7 billion in April last.



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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) 2009-10 CROP June 2010 | | | | | | |
|--|---------|------------|-------------------|---------|---|------------------|------------------|------------------|------------------|------------------|-------|
| | | | | | 12 th | 14 th | 15 th | 16 th | 17 th | 18 th | |
| 01. | ICS-101 | Below 22mm | Bengal Deshi (RG) | 5.0-7.0 | 15 | H | 23600 | 23300 | 23300 | 23300 | 23300 |
| 02. | ICS-201 | Below 22mm | Bengal Deshi (SG) | 5.0-7.0 | 15 | O | 23900 | 23600 | 23600 | 23600 | 23600 |
| 03. | ICS-102 | 22mm | V-797 | 4.5-5.9 | 19 | | 20600 | 20600 | 20600 | 20600 | 20600 |
| 04. | ICS-103 | 23mm | Jayadhar | 4.0-5 | 19 | | 21700 | 21700 | 21700 | 21700 | 21700 |
| 05. | ICS-104 | 24mm | Y-1 | 4.0-5.5 | 20 | L | 24900 | 24900 | 24900 | 24900 | 24900 |
| 06. | ICS-202 | 25mm | J-34 | 3.5-4.9 | 23 | | 28600 | 28400 | 28400 | 28400 | 28400 |
| 07. | ICS-105 | 25mm | NHH-44 | 3.5-4.9 | 22 | | N.A. | N.A. | N.A. | N.A. | N.A. |
| 08. | ICS-105 | 27mm | LRA-5166 | 3.5-4.9 | 24 | I | 27200 | 27200 | 27400 | 27400 | 27400 |
| 09. | ICS-105 | 28mm | H-4/ MECH-1 | 3.5-4.9 | 25 | | 28400 | 28400 | 28600 | 28600 | 28600 |
| 10. | ICS-105 | 29mm | S-6 | 3.5-4.9 | 26 | D | 29200 | 29300 | 29600 | 29600 | 29600 |
| 11. | ICS-105 | 31mm | Bunny/ Brahma | 3.5-4.9 | 27 | | 30200 | 30200 | 30200 | 30200 | 30200 |
| 12. | ICS-106 | 33mm | MCU-5/ Surabhi | 3.3-4.5 | 28 | A | N.A. | N.A. | N.A. | N.A. | N.A. |
| 13. | ICS-107 | 35mm | DCH-32 | 2.8-3.6 | 31 | | 41700 | 41700 | 41700 | 41700 | 41700 |
| 14. | ICS-301 | 26mm | ICC | 3.7-4.3 | 25 | Y | N.A. | N.A. | N.A. | N.A. | N.A. |