

Weekly  
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# Cotton Statistics And News

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Edited & Published by : O. P. Agarwal

## **World Cotton Supplies to Remain Tight - ICAC**

In its release on July 1, the International Cotton Advisory Committee (ICAC) states that offers of cotton from the 2009-10 crop strunk during June as a result of the significant decline in stocks this season. The 2009-10 Cotlook A Index is stated to have been quoted as "nominal" between June 9 and June 22 as offers for some growths were in short supply, and it was not published thereafter due to the lack of quotations eligible for its calculation. The 2009-10 Cotlook A Index averaged 78 US Cents (USC) per pound between August 1, 2009 and June 22, 2010. It was 28 per cent higher than the 2008-09 season average and the highest season-average Index since 1996-97.

The world cotton production in 2009-10 is now estimated at 21.96 million tonnes (mt) and consumption at 24.49 mt. It is stated that as a result of a continued decline in world cotton production and a concurrent rebound in world mill use, ending stock in 2009-10 is projected at 9.6 mt, down by 21 per cent from the previous season and the lowest since 2003-04. The global stock-to-use ratio is also said to be falling, from 52 per cent in 2008-09 to 39 per cent in 2009-10. ICAC states that supplies will remain tight until the start of the harvest of the new crop in the northern hemisphere in August.

As for the 2010-11 season, world cotton production is now projected to rebound by 14 per cent to 25 mt. This is said to be the first time in four years that global production will increase. The higher crop is attributed mainly to an expansion in cotton area consequent to the rise in cotton prices during 2009-10 and the declining prices of grains and oilseeds. While cotton area is expected to be up in several major countries, US and India are said to account for over half of the projected increase. US

crop in 2010-11 is forecast up by 44 per cent to 3.8 mt in 2010-11. A rise of 8 per cent is expected in each India and Pakistan. Indian crop is expected to be a record at 5.5 mt (approx. 323 lakh bales). Production increases are also expected in Brazil, Uzbekistan, Turkey, Australia and Greece. A slight increase to 7.1 mt is forecast in the case of Chinese crop.

World cotton mill use is projected to continue to recover in 2010-11, rising by 2 per cent to 24.9 mt, propelled by continued improvement in global economic growth, but limited by high cotton prices and a slowing "restocking effect". China and India are expected to account for 80 per cent of the increase in global mill use in 2010-11, with their combined share going up by 2 per centage points to 57 per cent.

### **Renewal of Subscription of Cotton Weekly for April 2010-March 2011**

Dear Subscribers,

Your subscription for this publication expired in March 2010. To ensure uninterrupted and continuous supply of this publication to you during the current period from April 2010 to March 2011, we request you to please send your renewal subscription amount of Rs.1,500/- immediately.

Payment is to be made in the name of Cotton Association of India payable at par in Mumbai.

The members of the Association are not required to pay any subscription amount as they are entitled to a complimentary copy of this publication.

We solicit your co-operation.

As global cotton production and mill use are forecast to almost balance in 2010-11, world cotton ending stocks are expected to remain essentially unchanged at 9.6 mt.

It is stated that the 2010-11 Cotlook A Index (Forward Cotlook A Index) which was introduced in May 16, 2010 is now the only Index published. The Forward Index increased steadily from 83 USC per pound in mid-May 2010 to 88 USC per pound in mid-June, and remained at that level until the end of June. The ICAC Price Model has forecast a season-average Cotlook A Index of 87 USC per pound for 2010-11. ICAC has stated that caution

must, however, be exercised since all commodity markets are subject to great uncertainty.

| <b>World Cotton Supply and Demand</b> |                |                |                |
|---------------------------------------|----------------|----------------|----------------|
| <b>(Mill tonnes)</b>                  |                |                |                |
|                                       | <b>2008-09</b> | <b>2009-10</b> | <b>2010-11</b> |
| Beginning Stock                       | 12.27          | 12.08          | 9.56           |
| production                            | 23.36          | 21.96          | 24.98          |
| Consumption                           | 23.46          | 24.49          | 24.91          |
| Export                                | 6.62           | 7.75           | 7.92           |
| Ending Stock                          | 12.08          | 9.56           | 9.63           |

(Source : ICAC Monthly Report)

## Global Recovery of Yarn and Fabrics Production Continues - ITMF

State of Trade Report for the fourth quarter of 2009 recently published by the International Textile Manufacturers Federation (ITMF) states that the global recovery of yarn and fabrics continued during the fourth quarter of 2009 also, from the low levels touched in the fourth quarter of 2008.

World yarn production is stated to have risen by 6.1 per cent in the fourth quarter of 2009 compared to that in the previous quarter. This uptrend has been in evidence since the first 6 quarter of 2009. While Europe and Asia are said to have recorded increases of 12.8 per cent and 5.5 per cent respectively. Yarn production in North and South America fell by 2.6 per cent and 10.2 per cent respectively. Compared to the corresponding quarter of 2008, Asia and

Europe appears to have seen significantly higher output levels of 13.7 per cent and 8.8 per cent respectively, whereas South America remained unchanged and North America recorded a fall of 9.5 per cent.

As for world yarn inventories, they are stated to have fallen slightly by 0.9 per cent. The fall was greater at 1.4 per cent in North America and in Europe only 0.1 per cent. There was a slight increase of 0.4 per cent in South America. On an annual basis, world yarn stocks are said to have been down by 5.4 per cent as levels fell in South America by 21.6 per cent, in Asia by 5.5 per cent and in Europe by 3.8 per cent.

(Source : ITMF - State of Trade Report)

## New Sanctions Frozen Under TUF Scheme

It is reported that in pursuance of the recent decision taken by the Expenditure Finance Committee, the Textile Commissioner has issued on 30th June a Circular to all Nodal Agencies, Nodal banks and Co-opted Public Lending Institutions advising them not to issue any further new sanctions under the Technology Upgradation Fund Scheme (TUF) until additional allocations are approved by the Cabinet Committee on Economic Affairs. Through this Circular, the Textile Commissioner has also reportedly advised the lending agencies to freeze all new proposals under the Scheme in the pipeline till additional allocations are made.

TUF was launched on 1st April 1999 in order to speed up modernisation of the different segments of the textile industry. Some of the benefits under the Scheme consisted of -

- 5% interest reimbursement of the normal interest charged by the lending agency
- 15% credit linked capital subsidy for SSI sector
- 20% credit linked capital subsidy for powerloom sector
- 5% interest reimbursement plus 10% capital subsidy for specified processing machinery.

The technology levels have been benchmarked in terms of specified machinery. There is no cap on lending under the Scheme. All processing and manufacturing segments including cotton ginning and pressing are covered under the Scheme. It is stated that during the period from 01.04.1999 to 31.12.2009, Textile Ministry has disbursed a total of Rs. 7316 crore for 27477 approved applications under the Scheme.

## Visit of Joint Secretary (Crops), Min.of Agriculture, GOI

Shri E.K. Majhi, Joint Secretary (Crops), Ministry of Agriculture, GOI alongwith Dr. Anupam Barik, Director, DOCD and also Director, CAI visited the Association on 6th July 2010. They were given a warm welcome by the CAI team led by the President, Shri Dhiren N. Sheth.

Shri Majhi was taken around the Cotton Exchange Building and also the CAI's Cotton Testing and Research Laboratory. He was briefed about the infrastructure and facilities available at the CAI Laboratory.



*Shri Sheth explaining the functioning of the Laboratory*

Shri Sheth also apprised Shri Majhi of the Grade Standard Boxes of Indian Cottons being prepared and maintained by the CAI and briefed him about the utility and importance of the grading system.

A brief presentation was also made to Shri Majhi highlighting Cotton Promotion plans of CAI and the initiatives being taken in this regard. In another



*Shri Sheth briefing Shri Majhi about the maintenance of Grade Standard Boxes by CAI*

presentation, Shri Pradeep Gujarathi, Director, CAI, apprised about the cotton developmental activities undertaken by COTAAP Research Foundation. Shri Majhi was also briefed about similar activities undertaken by COTAAP at Raichur, Karnataka.



*Shri E.K. Majhi and Dr. Anupam Barik with the CAI team in front of the statue of Sir Purshotamdas Thakurdas*

## Canal Water Shortage Hits Cotton Area in North Zone - Report

Earlier reports had indicated that owing to the high prices that prevailed in 2009-10, cotton area in 2010-11 would be higher in the North zone comprising the States of Punjab, Haryana and Rajasthan. However, the latest report about sowings indicates that as against the earlier expectation of a 5-10 per cent increase, cotton area planted is actually slightly lower this kharif than the last one. The present estimate of area in the zone is about 13.05 lakh hectares compared to 14.47 lakh hectares in 2009-10.

The main reason attributed to this fall in the shortage of canal water for irrigation in this zone where about 90 per cent of the total area which depended on irrigation. The shortage has been particularly experienced in Haryana and Rajasthan while Punjab did not have much difficulty. The North India Cotton Association has reportedly estimated that the sown area in Haryana is around 4.5 lakh hectares, a fall of about 50,000 hectares from

last season's estimated area of 5.07 lakh hectares. Likewise, planted area in Rajasthan is placed at 3.30 lakh hectares, a significant fall of some 1.10 lakh hectares from the coverage of 4.40 lakh hectares in 2009-10. In contrast, the area in Punjab is placed at 5.25 lakh hectares, a slight increase of 29,000 hectares compared to 4.96 lakh hectares last season. Owing to the fall in acreage, cotton production in the zone this season is now projected at 35-37 lakh bales as against 40 lakh bales in 2009-10.

Although the north zone acreage may be down, the national cotton area may see a rise, according to official and non-official sources. Sowing is said to be progressing satisfactorily in leading States like Gujarat, Maharashtra and Andhra Pradesh. It is estimated that about 30 lakh hectares have been covered by the middle of June.

*(Source : Business Standard 24.06.2010)*



## SNIPPETS

Merchandise exports from India reportedly clocked a growth of 35.1 per cent in May to \$ 16.1 billion (approx. Rs. 74,000 crore). This is the seventh month in succession that exports have posted a positive growth, triggering hopes that the worst might be over on the export front. However, it is apprehended that the crisis in Eurozone may a shadow on export performance in the coming months. Exports during last May had contracted by more than 30 per cent as the shrinking world demand had affected exports of some major items from India including textiles for about a year from the middle of 2008, consequent on the global economic crisis.



It is reported that the Reserve Bank of India (RBI) has increased the repo rate by 25 basis points to 5.5 per cent, with a view to containing inflation. As this will raise the banks' cost of funds, it is stated that banks are likely to increase the lending rates for some items. The RBI has also reportedly raised the reverse repo rate by 25 basis points to 4 per cent. In the tight money market condition when the bankers are net borrowers from RBI, it is stated that this measure would not have any impact on interest rates immediately.



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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 |                 |                 |                 |                 |                 |
|--|---------|------------|-------------------|---------|----|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  |         |            |                   |         |    | July 2010                            |                 |                 |                 |                 |                 |
|  |         |            |                   |         |    | 3 <sup>rd</sup>                      | 5 <sup>th</sup> | 6 <sup>th</sup> | 7 <sup>th</sup> | 8 <sup>th</sup> | 9 <sup>th</sup> |
| 01.  | ICS-101 | Below 22mm | Bengal Deshi (RG) | 5.0-7.0 | 15 | 23400                                | N               | 23400           | 23400           | 23400           | 23400           |
| 02.  | ICS-201 | Below 22mm | Bengal Deshi (SG) | 5.0-7.0 | 15 | 23600                                | O               | 23600           | 23600           | 23600           | 23600           |
| 03.  | ICS-102 | 22mm       | V-797             | 4.5-5.9 | 19 | 20600                                | T               | 20600           | 20100           | 20100           | 20100           |
| 04.  | ICS-103 | 23mm       | Jayadhar          | 4.0-5   | 19 | 21900                                |                 | 21700           | 21500           | 21500           | 21500           |
| 05.  | ICS-104 | 24mm       | Y-1               | 4.0-5.5 | 20 | 24800                                |                 | 24800           | 24800           | 24800           | 24800           |
| 06.  | ICS-202 | 25mm       | J-34              | 3.5-4.9 | 23 | 28700                                | Q               | 28700           | 28700           | 28700           | 28700           |
| 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 | 27200                                | U               | 27200           | 27200           | 27200           | 27200           |
| 09.  | ICS-105 | 28mm       | H-4/<br>MECH-1    | 3.5-4.9 | 25 | 28100                                |                 | 28100           | 28100           | 28100           | 28100           |
| 10.  | ICS-105 | 29mm       | S-6               | 3.5-4.9 | 26 | 29300                                |                 | 29300           | 29100           | 29100           | 29100           |
| 11.  | ICS-105 | 31mm       | Bunny/<br>Brahma  | 3.5-4.9 | 27 | 30400                                | T               | 30400           | 30400           | 30400           | 30400           |
| 12.  | ICS-106 | 33mm       | MCU-5/<br>Surabhi | 3.3-4.5 | 28 | N.A.                                 | E               | N.A.            | N.A.            | N.A.            | N.A.            |
| 13.  | ICS-107 | 35mm       | DCH-32            | 2.8-3.6 | 31 | 41000                                | D               | 41000           | 41000           | 41000           | 41000           |
| 14.  | ICS-301 | 26mm       | ICC               | 3.7-4.3 | 25 | N.A.                                 |                 | N.A.            | N.A.            | N.A.            | N.A.            |