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# Cotton Statistics And News

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Edited & Published by Amar Singh

## **Demand Destruction Plaguing the Cotton Industry**

As per Press Release issued by International Cotton Advisory Board (ICAC), world cotton mill use rose from 18.6 million tons in 1998-99 to 26.7 million in 2007-08, but mill use has been lower each season since and is forecast at 23.2 million tons this season. Mill use in 2011-12 is estimated at 22.7 million tons. The policy by the Government of China of maintaining a minimum support price for farmers of approximately \$1.40 per pound, and enforcing the minimum price with import quotas and a sliding scale tariff, ensures that mill use of cotton in China will continue to erode. Mill use in China during 2012-13 is estimated at 8.6 million tons, unchanged from last season but down from a peak of approximately 11 million tons five seasons ago. The loss in mill use of cotton in China is being offset by rising polyester and rayon use, resulting in a rapid decline in cotton's market share. Mill use of cotton is rising or holding steady in other large countries, including India, Pakistan, Turkey and the United States.

World cotton production is estimated at 25.2 million tons in 2012-13, down 7 percent from last season but still above consumption. The estimate of production in China this season has been raised based on reports of better yield prospects. Production in India is forecast to fall to 5.2 million tons this season based on a state-by-state application of average yields to the estimates of planted area by state. Production in the U.S. is rising after the drought of 2011. The rise in prices of grain and oilseeds will reduce cotton area in Brazil and other countries.

World trade during 2012-13 is forecast at just 7.3 million tons, the smallest in four seasons and two million tons less than last season. It is assumed that

China will not continue adding to the state reserve now that stocks in China are approximately 6 million tons.

With world cotton production two million tons greater than consumption, ending stocks are forecast to rise to nearly 16 million tons by July 31, 2013. The ratio of ending stocks to use outside China is forecast to rise to 0.62, the highest since 1965-66, when it was the United States, not China, that was operating a de facto world cotton buffer stock in an effort to support domestic farmers.

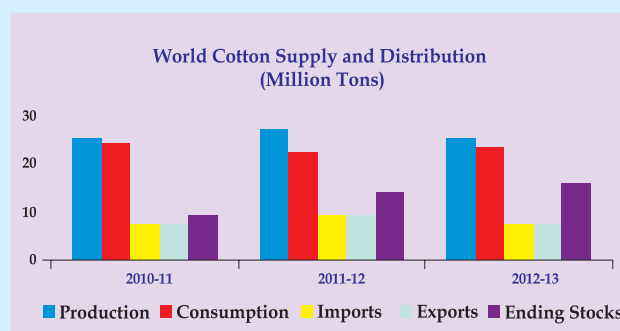
### **World Cotton Supply and Distribution**

2010/11 2011/12 2012/13

Million Tons

Production	25.203	27.224	25.20
Consumption	24.517	22.726	23.24
Imports	7.725	9.475	7.33
Exports	7.624	9.374	7.33
Ending Stocks	9.374	13.973	15.93
Cotlook A Index*	1.64	1.00	

\* Season-average (US \$ per pound)



(Source: ICAC Press Release - 04.09.2012)

## Japanese Program to Support Organic Cotton Sector of India

Nearly 30,000 low-income cotton farmers in India will gain improved health and increased incomes by switching to organic cotton production, following a commitment made by two Japanese companies to the Business Call to Action (BCtA) which is a global initiative that encourages companies to develop innovative business models that combine commercial success and sustainable development. It is supported by several international organizations, including the United Nations Development Programme (UNDP).

Japan-based general trading company ITOCHU Corporation and kurkku – a firm that promotes environmentally conscious lifestyle through sales of sustainably sourced food and apparel – have pledged to improve the income of Indian farmers, their health, and the environment, by scaling up production of organically produced cotton, which is free of synthetic pesticides and chemical fertilizers and has an approximately 30 percent higher market price.

The two companies pledged to scale up their Pre Organic Cotton (POC) Programme, which encourages farmers in India to switch from conventional to organic cotton production by guaranteeing to buy the cotton that is organically produced at a price higher than that of conventional cotton. Such a commitment is critical to the initiative's success since it typically takes three years for farmers to obtain an organic certification; in the meantime, they are growing organic cotton, which costs more to produce, but are forced to sell it at cheaper, conventional cotton prices.

During the three-year waiting period, the participating

farmers will see a 20 to 30 percent increase in their income, with a projected additional 12 percent increase once their farms gain official international organic certification.

Cotton occupies a mere five percent of all farmland in India, yet it accounts for more than half of the country's pesticide use, adding a financial burden to farmers and causing serious health concerns including skin and respiratory diseases.

The conversion process to organic cotton remains financially unfeasible for most farmers, despite the financial and health benefits. Certification takes three years during which time farmers experience a 20 to 30 percent decrease in crop yields. Moreover, they are unable to sell the organically produced crops at organic prices due to the lack of certification. In addition to lost revenue, the certification process entails additional fees which are prohibitive for many farmers, especially in developing countries.

Through its commitment to BCtA, ITOCHU — which has 114 offices in 65 countries — will work with Indian companies to identify farmers who are interested in switching to organic cotton farming. ITOCHU will then supply farmers with the necessary training and certified organic cotton seeds. The company also provides a guarantee to purchase the pre-organic cotton at a higher price than what farmers would have received for uncertified cotton. ITOCHU further assists farmers by funding their certification fees and aiding them with administrative support during the conversion process.

*(Source: Fibre2Fashion - 30.08.2012)*

## Bangladeshi Garment Imports Increasing Phenomenally

The apparel imports from Bangladesh is increasing at a phenomenal rate. According to reports, export of apparel items from Bangladesh to India has increased to US \$ 1 billion during Bangladeshi fiscal year of 1 July 2011 to 30 June 2012 as against apparel exports of \$ 0.45 billion surpass US \$ 2 billion in the reports reaching here.

Industry sources informed the imported Bangladeshi apparels which include T-shirt, jeans and trouser among others are costing nearly 15-20% less than local suppliers even after the recent over 20% devaluation of Indian Rupee.

It may be noted here that import influx started from November 2011 onwards when Bangladesh was been given duty free access while exporting apparel goods to India without any quantity cap. Prior to November 2011, there was a cap of 10 million apparel.

However, with the lifting of the cap alongwith the duty waiver facility, there is huge influx of Bangladeshi garments resulting in injury to the domestic industry. This import influx needs to be

curbed order to safeguard the interest of the domestic industry. The imports have hit not only the garmenters, but also resulted in demand loss to the textile industry supplying fabrics to the Indian garmenting industry, sources stressed.

It may be pointed out here that Indian market has become one of the most important markets for Bangladesh. After US and EU, Bangladeshi apparel exporters are putting all their energies to ramp up their exports to India and unrestricted duty free access is a boon to them in these challenges times.

The imported apparel have attracted the attention of the generation next of Indians who are most conscious apparel buyers in India.

The style, fit and finishes of the imported Bangladeshi garments, particularly womens wear, are luring the Indian consumers. It is now high time that the domestic fabric and apparel manufacturers also become aggressive on the style and finish quotient to entice and allure the buyers to Indian apparels.

*(Source: Tecoya Trend - 30.08.2012)*

## ITMF Report Shows Year-on-Year Growth for Yarn Output

As the dominant country both in the production of both cotton and yarn, China's upward or downward trends usually pull the global market in the same direction. However, global yarn production output was up in the first quarter of 2012 despite lower output in China (largely due to celebration of the Chinese New Year). China's Q1 yarn production is traditionally the lowest total of the year as a result of a reduction in working days due to the holiday.

According to the just-released State of the Trade report from the International Textile Manufacturers Federation (ITMF), world yarn output in Q1 dropped 7.7 percent from the previous quarter, primarily due to a 9 percent drop in production in Asia led by China's 11.3 percent decrease.

The report shows that global yarn production continues its upward trend (year-on-year) while global fabric production was reduced. Destocking of yarn and fabric inventories underline the current uncertainty, ITMF director general stated.

In Japan, Taiwan/China and Pakistan, production decreased 10.4%, 3.0% and 1.3%, respectively. In Europe, South and North America yarn production increased in the first quarter by 0.7%, 10.7% and 19.6%, respectively. Year-on-year global yarn production rose 12.0 percent with output up in Europe (2.1%), South America (10.4%), and Asia (13.0%) but down 8.6 percent in North America.

However, this is not a surprise based on the current state of the global economy, small recession in the Euro-area and a less-than-expected growth rate in the U.S. and lower growth rates in China and India, it is reported.

Global yarn inventories fell 1.7 percent in the first quarter of 2012 compared to the previous one with all regions reducing yarn inventories: Europe by 0.6%, South America by 2.5% and Asia by 5.4%. On an annual basis, global yarn stocks dropped significantly -10.1 percent, a consequence of an 18.6 percent drop in stocks in Asia and despite higher stocks in Europe South America.

In addition, global fabric production in the first quarter of 2012 fell in comparison to the previous as well as

last year's quarter. In all regions, a reduction could be observed with the exception of South America.

Fabric stocks fell slightly compared to the 4th quarter 2011, but year-on-year they increased as a result of higher inventory in South and North America, despite lower stock levels in Europe and Asia.

Compared with the previous quarter, global fabric production dropped by 11.9 percent in Q1 2012 as a consequence of lower output in Asia (14.2%), especially China (20.2%) also due to the Chinese New Year. In comparison to the first quarter of 2011, world fabric production was down 1.8 percent with all regions reporting decreases.

Global fabric stocks decreased 4 percent due to lower inventories in Europe and North America. Inventories in Asia and South America remained unchanged. Year-on-year, global fabric inventories jumped 14.0 percent. This can be attributed to soaring fabric stocks in South America, which was up 92.1 percent and higher stocks in North America of 6.7 percent. Europe and Asia recorded lower fabric stocks.

Nevertheless, both global yarn and fabric production are expected to increase in the following quarters according to ITMF estimates and if the global economic conditions do not deteriorate but stabilize with global demand picking up again in the second half of 2012 and in the first half of 2013, global yarn and fabric production should continue to increase, it is stated.

The estimates for global yarn and fabric production in the 2nd quarter compared to the 1st quarter of 2012 are positive. As far as yarn production is concerned, Asia is expecting an increase in output while Europe, North and South America estimates are unchanged. Global fabric production is expected to expand in the quarter of 2012 as a result of higher output in all regions. The outlook for quarter three 2012 also remains positive both for global yarn and fabric production. Regionally, only in Europe fabric production is expected to fall further.



**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  
September 2012

Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	3rd	4th	5th	6th	7th	8th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	15	11501 (40900)	11360 (40400)	11360 (40400)	11248 (40000)	11248 (40000)	11107 (39500)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 – 7.0	15	11670 (41500)	11529 (41000)	11529 (41000)	11417 (40600)	11417 (40600)	11276 (40100)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	20	8436 (30000)	8295 (29500)	8295 (29500)	8295 (29500)	8295 (29500)	8295 (29500)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	21	9139 (32500)	8998 (32000)	8998 (32000)	8998 (32000)	8998 (32000)	8998 (32000)
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	9673 (34400)	9589 (34100)	9589 (34100)	9589 (34100)	9589 (34100)	9533 (33900)
7	M/M/A	ICS-105	Fine	26mm	3.0 – 3.4	25	9561 (34000)	9561 (34000)	9561 (34000)	9561 (34000)	9561 (34000)	9561 (34000)
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	10151 (36100)	10123 (36000)	10123 (36000)	10095 (35900)	10095 (35900)	10039 (35700)
10	M/M/A	ICS-105	Fine	27mm	3.0 – 3.4	26	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)
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	10208 (36300)	10179 (36200)	10179 (36200)	10123 (36000)	10123 (36000)	10067 (35800)
13	M/M/A	ICS-105	Fine	28mm	3.5 – 4.9	27	10264 (36500)	10208 (36300)	10208 (36300)	10179 (36200)	10179 (36200)	10179 (36200)
14	GUJ	ICS-105	Fine	28mm	3.5 – 4.9	27	10292 (36600)	10208 (36300)	10123 (36000)	10123 (36000)	10123 (36000)	10179 (36200)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 – 4.9	28	10629 (37800)	10404 (37000)	10404 (37000)	10348 (36800)	10348 (36800)	10348 (36800)
16	GUJ	ICS-105	Fine	29mm	3.5 – 4.9	28	10432 (37100)	10348 (36800)	10264 (36500)	10264 (36500)	10264 (36500)	10292 (36600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 – 4.9	29	10882 (38700)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 – 4.9	30	11220 (39900)	11220 (39900)	11220 (39900)	11107 (39500)	11107 (39500)	11107 (39500)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 – 4.9	31	N.Q.	N.Q.	N.Q.	11389 (40500)	11389 (40500)	11389 (40500)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	15044 (53500)	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)	14904 (53000)

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