Weekly Publication of

Cotton Association of India

Cotton Exchange Building, 2nd Floor,
Cotton Green, Mumbai - 400 033
Phone: 3006 3400
Fax: 2370 0337
Email: cai@caionline.in
www.caionline.in

Regd.No.MH/MR/EAST/96/2009-11
Registered with the Registrar of Newspapers for India under R.No.18844/69
Published every Tuesday
Price: Rs.30 per copy

Cotton Statistics And News

2011-12 * No. 25 * 20/09/2011

Edited & Published by Amar Singh

Association Places 2011-12 Cotton Crop at 363.75 Lakh Bales

The Association recently made its first estimate of the cotton production during 2011-12. In a Press Note on the subject it has stated that cotton production during 2011-12 is palced at 363.75 lakh bales. The Association expects an increase of ten percent in the area under cotton to touch a record 120 lakh hectares during the ensuing season. The crop is said to be progressing satisfactorily with generally conducive rainfall and normal monsoon throughout the cotton belt, raising hopes of good yields. The State-wise details of the production estimates of the Association are given in the table below:

Production Estimates as on August 2011

State	Production (in lakh bales) 2010-11	2011-12
Punjab	15.00	17.00
Haryana	16.00	17.50
Upper Rajasthan	6.00	10.25
Lower Rajasthan	3.25	3.75
Total North Zone	**40.25**	**48.50**
Gujarat	105.00	113.00
Maharashtra	82.00	85.00
Madhya Pradesh	17.00	19.00
Total Central Zone	**204.00**	**217.00**
Andhra Pradesh	55.00	63.00
Karnataka	12.00	14.00
Tamil Nadu	5.00	5.00
Total South Zone	**72.00**	**82.00**
Orissa	2.00	2.25
Other	2.00	2.00
Total	**320.25**	**351.75**
Loose Cotton	12.00	12.00
All-India	332.25	363.75

Compared to 2010-11, the maximum increase of 13 lakh bales is expected in the Central zone followed by South zone with an expected increase of ten lakh bales. As for individual States, Gujarat and Andhra Pradesh are the lead with an anticipated increase of eight lakh bales in production in each State.

It may also be noted that the Association's estimate of the crop in 2010-11 is 332.25 lakh bales as against 325 lakh bales estimated by the Cotton Advisory Board on August 30,2011.

The Cotton Balance Sheet as drawn up by the Association for 2010-11 an- d 2011-12 is given below:

(in lakh bales)

	2010-11	2011-12
Opening Stock	40.50	56.75
Production	332.25	363.75
Imports	5.00	5.00
Total Supply	**377.75**	**425.50**
Mill Consumption	216.00	230.00
Consumption by SSI	18.00	21.00
Non-Mill Consumption	17.00	17.00
Total Demand	**251.00**	**268.00**
Available Surplus	126.75	157.50
Less: Exports	70.00	
Closing Stock	56.75	

The available surplus during 2011-12 is placed at 157.50 lakh bales. Looking to the bumper crop ahead, the Association has urged the Government of India to extend the Opern General Licence status for exports of cotton without any restrictions into the new season at the earliest. It is pertinent to note that by Notification No.74 (RE-2010)/2009-14 dated 12th September 2011 the Government has already announced extension of the OGL status of cotton exports beyond 30th September 2011.

Meanwhile, the Ministry of Agriculture has released on September 14, 2011, its first Advance Estimates of production of major crops. According to it, the production of cotton in 2011-12 is placed at 361 lakh bales as against the Associations recent estimate of 363.75 lakh bales. The Minsitry has also released its fourth estimate of cotton production during 2010-11. Surprisingly, its latest revised estimate is 334.3 lakh bales, surpassing the Associations's estimate of 332.25 lakh bales and the CAB estimate of 325 lakh bales.

Production and Trade Policies Affecting Cotton Industry - ICAC Report

The International Cotton Advisory Committee (ICAC) has published in September, its Secretariat's report on Production and Trade Policies of the Cotton Industry. A gist of this report pertaining to a few leading countries is given below:

Subsidies to the cotton industry, including direct support to production, border protection, crop insurance subsidies, minimum support price mechanisms and export subsidies, are estimated at $ 1.3 billion in 2010-11, down from $ 3.2 billion in 2009-10 and $ 5.5 billion provided in 2008-09. Five countries are stated to have provided subsidies in 2010-11 and they averaged 5 cents per pound, down from seven countries providing 11 cents per pound on average in 2009-10. More countries have cotton production support programmes, but because of high prices, the programmes do not appear to have resulted in actual spending in 2010-11. However, if prices were lower, these programmes would be effective.

The share of world cotton production receiving direct Government assistance, including direct payments and border protection, increased from an average of 55 per cent between 1997-98 and 2007-08, to an estimated 84 per cent in 2008-09. During 2009-10, the share declined to 52 per cent and is estimated at 53 per cent of production in 2010-11. Since 1997-98, it is stated that there is clearly a negative correlation between the Cotlook A Index and the amount of subsidy provided to the world cotton industry, as well as the number of subsidising countries. Some countries are stated to have provided subsidies for cotton inputs in 2010-11, especially for fertilisers, storage, transportation, classing services and other marketing costs.

The situation in three leading countries is said to be as under:

United States

The US cotton programme supports producers through several mechanisms: a direct payment (DP), a counter cyclical payment (CCP), a loan deficiency payment (LDP), certificate exchange gains, marketing loan gains and crop insurance.

The DP, which is independent of market prices and is based on historical planted area and yields, is set at 6.67 cents per pound. The DP (income aid) is decoupled from the current production and is not counted as a subsidy to production. It is estimated that in 2010-11, the DP were $ 588 million, unchanged from 2009-10.

Except for crop insurance, other subsidies under the US cotton programme were not available because of record market prices in 2010-11.

The CCP, which is also based on historical planted area and yield, is paid when the effective price is below the target price. The CCP is paid whether a producer plants cotton or not. The CCP was available to eligible farmers for a short period during the first half of 2009-10 and was estimated at $ 152 million. The CCP was zero in 2010-11.

The LDP is paid when market prices (the adjusted world price or AWP) is below the loan rate (52 cents per pound). The AWP stayed above the loan rate during both 2009-10 and 2010-11, resulting in zero LDP. Commodity certificate exchange gains and marketing loan gains provide the same gains as the LDP by redeeming a loan at a reduced rate. Only one of these options is available for the producer. The certificate exchange gains were estimated to be zero both in 2009-10 and in 2010-11, while marketing loan gains were estimated at $ 6 million in 2009-10, they are estimated to be zero in 2010-11.

The level of direct Government assistance provided through export programmes was estimated at $ 8 million in 2009-10 paid under the US Pima competitiveness programme. During 2010-11, no payments under the US Pima competitiveness programme were made.

Another form of Government support to cotton production in the US is provided through subsidised crop insurance to protect producers against crop yields caused by natural disasters. Nearly every cause of decline in crop yields is covered by this multi-peril crop insurance, such as weather, pests and fire but not product negligence. The insurance is sold to farmers, largely through private insurance providers, but USDA's Risk Management Agency (RMA) pays more than half of the premiums. Additionally, RMA pays the private insurance providers for their administrative and operating costs, plus RMA's own administrative costs under the programme. On average, more than 90 per cent of planted cotton area is enrolled in the programme.

The crop insurance programme is statutorily mandated to be actuarially sound, meaning that over time total premiums are supposed to cover total indemnities. Total premium subsidies averaged $ 219 million per year between 1997 and 2009. Total crop subsidies fluctuated from 1.7 cents per pound of total production (1997) to 4.1 cents per pound (2008) during the past 14 years. In 2010-11, total crop subsidies are estimated at $ 319 million or 3.7 cents per pound of total production.

(To be continued...)

Inauguration of New CAI Testing Laboratory at Warangal, A.P

CAI has set up one more new Laboratory at Warangal in Andhra Pradesh. This was in furtherance of its objective to expand the network of Cotton Testing Laboratories at all important cotton growing centres.

The Warangal Laboratory was inaugurated on 27th August 2011 by Shri Kambampati Kumara Swamy, President, Warangal Chamber of Commerce & Industry. The other dignatories present included Secretary, Chamber Of Commerce & Ind., Secretary, Warangal Cotton Association and Branch Manager C.C.I, Warangal. Besides, a large number of members from the local cotton trade were also present on the occasion of the inauguration. CAI Addl. Vice-President, Shri Sanjay V. Udeshi welcomed the guests present on the occasion.

In his inaugural speech, Shri Kambampati Kumara Swamy congratulated CAI for launching the project of setting up of Cotton Testing Laboratories in the cotton producing and consuming areas which will enable the local cotton community to avail of the cotton testing facilities of international standards at affordable rates. He wished CAI great success in its endeavour to provide testing facilities at various cotton growing centres.

Shri Sanjay V. Udeshi made a presentation highlighting the benefits of becoming the member of the Association.

Shri Kunal Thakkar also made a presentation on CAI's activities and benefits of its membership to the guests at the inaugural ceremony.

CAI Addl. Vice-President, Shri Sanjay V. Udeshi welcoming the guests and other dignatories

Shri Kambampati Kumara Swamy inaugurating the Warangal Laboratory

Shri Kunal Thakkar making presentation on the activities of CAI

SNIPPETS

The Organisation for Economic Cooperation and Development (OECD) is quoted to have stated that merchandise trade growth hit major world economies in the second quarter of 2011, affecting both imports and exports. The deceleration in import and export growth is said to have affected all the groups of seven industrialised nations and the block of BRICS emerging markets except China and Brazil. Total imports of G 7 countries (US, Britain, Canada, France, Germany, Italy and Japan) and BRICS nations (Brazil, Russia, India, China and South Africa) are stated to have risen by just 1.1 percent in the second quarter as against 10.1 percent in the previous three months.

A report by the US Department of Agriculture (USDA) is quoted to have stated that India's cotton exports are projected to jump by 21 percent to 8 million bales in the 2011-12 marketing year (August-July) on the back of record output and a possibly less restrictive government policy. CAB, at its meeting held on 30th August 2011, had provisionally estimated exports in both 2010-11 and 2011-12 (Oct-Sept) at 70 lakh bales. USDA's report adds that India may adopt a less restrictive export policy to prevent any steep fall in domestic prices due to an expected increase in output in other countries, especially China. In fact, in a recent interaction with the Press, a senior official of the Textiles

UPCOUNTRY SPOT RATES

(Rs./Qtl)

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) 2010-11 CROP September 2011

Sr. No.	Grade Standard	Staple	Micronaire	Strength/ GPT	Trade Name	10th	12th	13th	14th	15th	16th
01.	ICS-101	Below 22mm	5.0-7.0	15	Bengal Deshi (RG)	14144* (50300)	14144* (50300)	14144* (50300)	14144* (50300)	14144* (50300)	14144* (50300)
02.	ICS-201	Below 22mm	5.0-7.0	15	Bengal Deshi (SG)	14285* (50800)	14285* (50800)	14285* (50800)	14285* (50800)	14285* (50800)	14285* (50800)
03.	ICS-102	22mm	4.5-5.9	19	V-797	7030 (25000)	7311 (26000)	7311 (26000)	7311 (26000)	7311 (26000)	7592 (27000)
04.	ICS-103	23mm	4.0-5.5	19	Jayadhar	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
05.	ICS-104	24mm	4.0-5.5	20	Y-1	N.A.	N.A	N.A.	N.A.	N.A.	N.A.
06.	ICS-202	25mm	3.5-4.9	23	J-34	10629 (37800)	10770 (38300)	10770 (38300)	10770 (38300)	10911 (38800)	11614 (41300)
07.	ICS-105	25mm	3.5-4.9	22	NHH-44	9139 (32500)	9420 (33500)	9420 (33500)	9420 (33500)	9701 (34500)	9842 (35000)
08.	ICS-105	27mm	3.5-4.9	24	LRA-5166	9617 (34200)	9842 (35000)	9842 (35000)	9842 (35000)	10123 (36000)	10404 (37000)
09.	ICS-105	28mm	3.5-4.9	25	H-4/ MECH-1	10404* (37000)	10545* (37500)	10545* (37500)	10545* (37500)	10686* (38000)	10826* (38500)
10.	ICS-105	29mm	3.5-4.9	26	Shankar-6	11248 (40000)	11248 (40000)	11248 (40000)	11248 (40000)	11473 (40800)	11585 (41200)
11.	ICS-105	31mm	3.5-4.9	27	Bunny/ Brahma	11529 (41000)	11529 (39000)	11529 (37500)	11529 (41000)	11698 (41600)	11810 (42000)
12.	ICS-106	33mm	3.3-4.5	28	MCU-5/ Surabhi	11810* (42000)	11810* (42000)	11810* (42000)	11810* (42000)	11951* (42500)	12092* (43000)
13.	ICS-107	35mm	2.8-3.6	31	DCH-32	15185 (54000)	15466 (55000)	15466 (55000)	15466 (55000)	15466* (55000)	15466* (55000)

Note: Figures in bracket indicate prices in Rs./candy * - Nominal