

Weekly
Publication of



**Cotton
Association
of India**

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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

2010 * No. 26 * 28/09/2010

Edited & Published by : Amar Singh

Government Announces Minimum Support Prices for Cotton During 2010-11

The Government of India has fixed the support price of two basic varieties of cotton, viz. Medium Staple Cotton having staple length of 24.5 mm to 25.5 mm with micronaire value of 4.3 to 5.1 and Long Staple Cotton having staple length of 29.5 to 30.5 mm with micronaire value of 3.5 to 4.3 of new crop of seed cotton (kapas) of Fair Average Quality (FAQ) for cotton season 2010-11 (October-September). The support price for Medium Staple Cotton has been fixed at Rs. 2500 per qtl. and that for Long Staple

Cotton of above classes has been fixed at Rs. 3000 per qtl.

Based on the support prices of these two basic classes of seed cotton and taking into account the quality differential, normal price differential and other relevant factors, the support prices of other classes of seed cotton of Fair Average Quality for the cotton season 2010-11 have been fixed as under :

	Basic Staple length (2.5% span length)	Micronaire Value in mm	Support Price (Rs. / Qtl.)
Medium Staple			
V-79/G Cot-13/G Cot-21	21.5-23.5	4.2-6.0	2300
AK/Y-1 (Mah. + MP)/MCU-7 (T.N.)/SVPR-2	23.5-24.5	3.4-5.5	2350
Medium Long Staple			
F414/H-777/J-34 (Raj.)	24.5-25.5	4.3-5.1	2500
LRA5166/KC-2 (T.N.)	26.0-26.5	3.4-4.9	2600
F414/H-777/J-34 (Raj. + Haryana)	26.5-27.0	3.8-4.8	2750
Long Staple			
F414/H-777/J-34 (Punjab)	27.5-28.5	4.0-4.8	2800
H-4/H-6/MECH/RCH-2	27.5-28.5	3.5-4.7	2850
Shankar-6/10	27.5-29.0	3.6-4.8	2850
Bunny/Brahma	29.5-30.5	3.5-4.3	3000
Extralong Staple			
MCU-5/Surabhi	32.5-33.5	3.2-4.3	3200
DCH-32	34.0-36.0	3.0-3.5	3400
Suvin	37.0-39.0	3.2-3.6	4200

The Government order in this regard has also given some minimum limits and range of micronaire value in the different staple class which will fetch them premium over MSP or after some reductions in MSP. The order also states that the names of varieties mentioned are only indicative related to the respective length group. Also, the base line moisture content of kapas shall be 8 per cent. The farmer selling cotton having moisture content above 8 per cent but upto 12 per cent will get less price proportionately while it will be a proportional incentive if the moisture content of the produce is less than 8 per cent. For the purpose of undertaking price support

operations by the designated Procurement Agencies, moisture content above 12 per cent is not permitted. The incentive/disincentive will be made on the basis of rate per qtl. of kapas on prorata basis. It is also stated that the procurement agencies should ensure that micronaire and other fibre quality parameters are scientifically assessed by providing the required infrastructure facilities at the purchase centres. Cotton Corporation of India and NAFED would continue to be the Nodal Agencies for procurement of kapas.

(Source : Office of the Textile Commissioner)

Monsoon Rains to Start Withdrawing end-Sept: Met

India's monsoon rains are likely to start withdrawing by end-September, nearly a month later than normal, the weather office said. Late withdrawal of the June-September monsoon rains raises the risk of floods in some parts of the country and could further delay cotton harvest, which has already been hindered by heavy showers.

India's monsoon, which last year delivered the weakest rainfall in 37 years, began on a shaky note this year, but gathered momentum in July and have caused surplus rainfall this month. Some parts of India have been hit by floods in recent weeks. While the floods have not significantly damaged crops so far, they have contributed to

rising food inflation, which accelerated to 14.64 percent in August from a year earlier.

Total monsoon rain since June 1 is about 2 percent above normal, while September rainfall is 22 percent higher than average, weather office data showed. The monsoon usually starts retreating from parts of northern and western India on Sept. 1.

As of now, withdrawal should start towards the end of this month, the India Meteorological Department said. There may be a possibility of some rainfall in October also.

Source: The Financial Express

RBI Increase Repo Rate and Reserve Repo Rate

The Reserve Bank of India (RBI) has on 16.09.2010 increased the repo rate (the rate at which banks borrow short term funds from the Central Bank) by 25 basis points to 6 per cent. The RBI has also raised the reverse repo rate (the rate at which banks park their surplus funds with the Central Bank) by 50 basis points to 5 per cent to contain inflation which is still hovering around 8.5 per cent. However, the RBI has left the cash reserve ratio (percentage of deposits that banks need to keep with the Central bank) unchanged at 6 per cent so as to ensure that the credit flow to productive sectors does not get affected, say reports.

Australian Cotton Production Increased by 34 percent

Australia has been expected to have a robust cotton crop this season, capping a comeback that has seen overall production nearly quadruple since 2007-08. This season's estimated production of 2.3 million bales represents a 34% increase over last year.

Much of the additional crop will come from dryland plantings made possible by substantial rainfall. Australia has made a concerted effort to limit the amount of water available for irrigation to protect its inland river systems. There are also some concerns that crops will be planted in locations that have not been used for cotton in some time, potentially exposing them to harmful chemicals used by farmers who are unaware that cotton has been planted in neighbouring fields.

Government Support to the World Cotton Industry

A recent release by the International Cotton Advisory Committee (ICAC) dwells on the Government support extended to the cotton industry in different countries. Some of the highlights in the release are mentioned 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 \$ 4.7 billion in 2009-10, down from \$ 6.2 billion in 2008-09. Seven countries provided Government support in 2009-10, and the subsidies averaged eleven US Cents per pound, down from nine countries providing 14 Cents per pound of average subsidies in 2008-09. The main reason for the decline during 2009-10 has been a sharp increase in market prices for cotton with the average Cotlook A Index in 2009-10 projected to average 75 Cents per pound in 2009-10 as against 61 Cents in 2008-09. In addition, several countries in Asia and Africa are said to have announced subsidies for cotton inputs, especially for fertilisers in 2008-09 and 2009-10. Some Governments are also said to have subsidized storage, transportation, classing services and other marketing costs in 2008-09. The position in some of the leading countries as indicated by the ICAC is given below :

- ◆ The Government of India significantly increased seed cotton minimum support prices (MSP) for 2008-09. Consequently, Government agencies purchased around 2.15 million tonnes of cotton lint, or a little over 40 per cent of the estimated production in 2008-09. The impact of Government intervention in hiking MSP resulted in the increase of cotton farm revenues in India by about \$ 331 million during 2008-09. During 2009-10, MSP stayed below market prices resulting in no benefit to producers.

The Indian Government also provided a 5 per cent export incentive for cotton during 2008-09 that was not renewed in 2009-10. In addition, cotton farmers benefit from debt forgiveness and fertilizer subsidies from the Government, but these are difficult to be quantified. In April 2010, the Government announced suspension of

cotton export registrations and requested that cotton exports already registered but not yet shipped be revalidated with a to-be-determined monthly cap on revalidations. This step meant to ensure a reasonable carry-over stock.

- ◆ During the past several seasons, Government policies in China supported cotton production by exercising border protection based on sliding scale duties or direct purchases by the Government for reserves. As a result of Government interventions and quotas, domestic cotton prices in China were above international prices in recent seasons. The benefit to producers resulting from Government interventions during 2008-09 is estimated at about \$ 1.8 billion or 10 Cents per pound and is projected at the same amount in 2009-10, averaging 12 Cents per pound. In addition, about \$ 73 million is paid by the Chinese Government annually to growers as a subsidy for using high-quality planting seeds.
- ◆ Total support by US to cotton production, including crop insurance subsidies is placed at about \$ 3.2 billion in 2008-09 and is projected to be lower at \$ 1.8 billion in 2009-10. Support in 2008-09 was equivalent to 53 Cents per pound and is estimated to be lower at 31 Cents per pound in 2009-10. The highest support provided during the last 11 years was 3.9 billion in 2004-05.
- ◆ Brazil is said to continue a marketing programme providing direct subsidies based on guaranteed prices, but without direct acquisition of cotton by the Government. The programme is used to compensate farmers for the weakening US dollar in relation to the local currency. The actual size of the premium is determined at auctions organised by the Government. The payment in 2008-09 amounted to \$191 million (7 Cents per pound) and \$ 356 million during 2009-10 (13 Cents per pound).

(Source : ICAC)

SNIPPETS

With imports into the country outpacing exports, the trade deficit during August 2010 is reported to have swelled to a 23-month high of \$ 13.06 billion. Exports during August reportedly grew by 22.5 per cent to touch \$ 16.64 billion while imports grew higher by 32.2 per cent to reach \$ 29.7 billion. The trade deficit during the period April-August 2010 is placed at \$ 56.62 billion.



Organic Cotton Market Report 2009, released by the Organic Exchange, is quoted to have stated that the year 2009 was a dynamic one for organic cotton despite the recession. Global retail sales of organic cotton apparel and home textile products are stated to have reached an estimated \$ 4.3 billion in 2009, representing a 35% increase from \$ 3.2 billion market in 2008. This is said to be in line with the annual growth rate of 40% experienced by the organic cotton market from 2001. The Organic Exchange appears to have projected the organic cotton market to grow 20 to 40% in both 2010 and 2011, resulting in an estimated \$ 5.1 billion market in 2010 and \$ 6.0 billion market in 2011.



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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					
						September 2010					
						18 th	20 th	21 st	22 nd	23 rd	24 th
01.	ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0	15	27400	27600	27600	H	27000	27000
02.	ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0	15	27700	28000	28000	O	27500	27500
03.	ICS-102	22mm	V-797	4.5-5.9	19	26000	26300	26500		26500	26000
04.	ICS-103	23mm	Jayadhar	4.0-5	19	26200	26500	27000		26800	26500
05.	ICS-104	24mm	Y-1	4.0-5.5	20	30000	30300	30500	L	30500	31000
06.	ICS-202	25mm	J-34	3.5-4.9	23	34500	35500	35700		35500	35500
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	N.A.	N.A.	N.A.	I	N.A.	N.A.
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	36800	37500	37500		37000	36500
10.	ICS-105	29mm	S-6	3.5-4.9	26	38000	38500	38500	D	38200	37700
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	39000	39500	39500		39000	38500
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	42000	43000	43000	A	42000	41500
13.	ICS-107	35mm	DCH-32	2.8-3.6	31	44000	45000	45500		45500	45500
14.	ICS-301	26mm	ICC	3.7-4.3	25	N.A.	N.A.	N.A.	Y	N.A.	N.A.