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# Cotton Statistics And News

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## **Trends in Cotton Prices in China and the Rest of the World**

In its recent Press Release of 1st October, the International Cotton Advisory Committee (ICAC) stated that in September 2012, international cotton prices declined slightly, whereas Chinese cotton prices increased a little bit. This might indicate price directions over the next few months. In China, cotton prices in 2012-13 will be supported by the minimum support price policy, under which the government is organizing daily purchases of new crop cotton between September 2012 and March 2013. In the rest of the world, the pressure of accumulating stocks, combined with weak demand, could drive cotton prices down.

In 2011-12, the Chinese government supported both domestic and international prices via significant purchases of domestic and foreign cotton for the rebuilding of its national reserve. While government support to Chinese national prices will continue in 2012/13, cotton imports will likely drop sharply. The ICAC Secretariat expects China to import 2.5 million tons this season, less than half the record quantity purchased last season.

With this projected fall in Chinese imports, the outlook in the rest of the world is conducive to lower international prices in 2012/13. Outside of China, cotton production is forecast down by 6% to 18.6 million tons, while mill use is expected to increase by 5% to 14.9 million tons. Taking into account reduced shipments to China, stocks in the rest of the world are expected to grow by 16% to 9 million tons in 2012/13.

China is expected to remain the largest cotton importer in 2012/13. This will prevent international and Chinese cotton prices from diverging too much.

In addition, international cotton prices will eventually receive some support from the expected lower plantings in the Southern Hemisphere at the end of 2012 and in the Northern Hemisphere in 2013-14.

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

2010/11 2011/12 2012/13

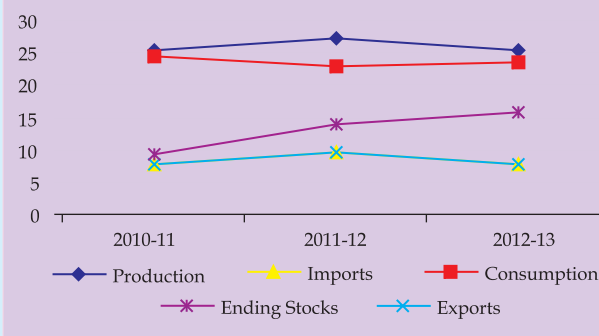
Million Tons

Production	25.210	27.282	25.48
Consumption	24.517	22.779	23.55
Imports	7.725	9.603	7.58
Exports	7.625	9.716	7.58
Ending Stocks	9.380	13.782	15.72
Cotlook A Index*	1.64	1.00	0.84**

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

\*\*Average for the first two months of 2012-13

### **World Cotton Supply & Distribution (MT)**



(Source: ICAC Press Release - 01.10.2012)

## Dip in Chinese Orders Pulls Down Cotton Export

India's cotton export in 2012-13 is expected to fall to seven million bales (a bale is 170 kg) compared with 12.8 million bales last year, following a sharp fall in Chinese demand, according to the Cotton Advisory Board (CAB), headed by the Textile Commissioner.

China's total imports are projected to fall to 2.5 million tonnes this year, half of last year's. Around 65 per cent of India's cotton export goes to China.

CAB has estimated this year's (the cotton year starts in October and ends in September) total cotton production at 33.4 million bales compared to 35.3 million last year. The 2012-13 production would be lower due to scanty rainfall in major growing areas of Gujarat, particularly Saurashtra.

However, output in Andhra Pradesh is expected at 7.2 million bales compared to 5.6 million last year, compensating for the loss in Gujarat.

Consumption of cotton by mills and non-mill consumption is expected to be higher this year compared to last year. Mill consumption is higher this year due to rise in productivity of smaller mills, which are in a financially better situation compared to last year. Last year, many mills had financial issues, which led to their taking less of orders.

Internationally, too, mill consumption is put higher. According to the estimates by International Cotton Advisory Committee, outside of China, mill use is expected to increase by five per cent, to 14.9 million tonnes (mt). Taking into account reduced shipments to China, cotton production is forecast down by six per cent to 18.6 mt, while stocks in the rest of the world are expected to grow by 16 per cent to nine mt in 2012-13. According to ICAC, with this projected fall in Chinese imports, the price outlook in the rest of the world is conducive to lower international prices in 2012-13.

*(Source: Business Standard - 4.10.2012)*

## Cotton Ginners Call for Tax Reduction in Punjab

Cotton ginning factories in Punjab are languishing due to higher and multiple taxation. A source from Punjab Cotton Factories and Ginners Association said that the rate of taxes in neighbouring States of Rajasthan and Haryana was lower than Punjab's, which encouraged farmers to sell their produce in these States. As a result, Punjab's ginning factories were running below capacity.

Another source added that factories were lying idle in Punjab and the number of ginning mills had also decreased in Punjab from 411 to 327 in the past few years as ginners had relocated themselves in Sirsa, Dabwali, Tatia in Haryana and Ganga Nagar, Sangria and Motilu in Rajasthan.

The ginners contended that the Centre has reduced the Central Sales Tax (CST) to 2 per cent but in Punjab, the State Government did not refund the CST charged over and above 2 per

cent. This resulted in a loss of Rs 150 to Rs 200 per quintal, it is stated.

Due to tax advantages in other States, about 6 lakh bales of cotton (one bale = 170 kilogram) is sold out of Punjab every year.

The association also wants a dry port to be created at Bhatinda to facilitate the export of cotton yarn. In order to create an interface between the industry and farmers, the State Government should arrange events in the Bhatinda belt, it is stated.

The ginning industry contributes about Rs 100 crore per annum in the form of market fee to the state exchequer.

A pro-active approach by the State Government would not only raise the revenue but create better employment opportunities for the youth of the State, the association added.

*Source: Business Standard - 02.10.2012)*

## CAB Estimates a Lower Cotton Crop in 2012-13 Compared to 2011-12

The Cotton Advisory Board (CAB) held its first meeting of the new season 2012-13, on 4th October 2012 in Mumbai, with Shri A.B. Joshi, Textile Commissioner, in the Chair. Representatives of all the segments of the cotton industry attended the meeting and made effective contributions to the lively discussions.

After due deliberations, CAB retained the estimated production in 2011-12 at 353 lakh bales, which was its estimate at the last meeting held on August 2012. However, as for 2012-13, it placed the crop lower by 19 lakh bales at 334 lakh bales. This was mainly due to the expected shortfall in some States, especially Gujarat where there was lack or unfavourable rains at the optimum sowing period or thereafter. Scanty rainfall and farmers' shift to other remunerative crops in Saurashtra, the main cotton growing tract in Gujarat, appears to have led to a sizeable fall of about six lakh hectares in the total cotton area in Gujarat. The State-wise area and production, as now estimated by the CAB are given below:

Area in lakh hectares, Production in lakh bales of 170 kg. each	2011-12		2012-13	
	Area	Production	Area	Production
	Punjab	5.60	18.50	5.16
Haryana	6.41	25.00	6.03	24.00
Rajasthan	4.70	17.00	4.49	16.00
North Zone	16.71	60.50	15.68	58.00
Gujarat	29.62	120.00	23.63	85.00
Maharashtra	41.25	74.00	41.30	80.00
M.P.	7.06	18.00	6.08	17.00
Central Zone	77.93	212.00	71.01	182.00
A.P.	18.79	56.00	21.40	72.00
Karnataka	5.54	14.00	5.16	12.00
Tamil Nadu	1.33	6.50	1.20	5.00
South Zone	25.66	76.50	27.76	89.00
Orissa	1.02	2.00	1.19	3.00
Others	0.46	2.00	0.50	2.00
<b>All-India</b>	<b>121.78</b>	<b>353.00*</b>	<b>116.14</b>	<b>334.00*</b>

\* Inclusive of Loose cotton

It will be noticed that the major fall in production is expected in the central zone where the 2012-13 crop may be down by as much as 30 lakh bales. In fact, the production in Gujarat is envisaged to suffer a diminution of 35 lakh bales but this is offset to a small extent due to a higher production in Maharashtra which is projected to exceed last years output by six lakh bales. While the north zone crop may also be lower, south zone's production is

estimated to be 12.5 lakh bales higher than last year. This is the only zone projected to surpass last year's production. In this zone, it is Andhra Pradesh, with an expected increase of 16 lakh bales that has pulled up production, while both the other States, viz. Karnataka and Tamil Nadu may produce slightly smaller crops.

With the drop in production mainly accounted for by the fall in area, the productivity seems to have been maintained almost at the same level as last year, that is, 489 kg per hectare compared to 493 kg last year. This should be deemed as quite significant taking into account that large share of the crop is still rain-dependant. Remarkably, Gujarat where the average yield was 689 kg per ha in 2011-12, is expected to drop to only 612 kg in 2012-13, notwithstanding the scanty rainfall at the beginning of the season. Probably, this is indicative of the spread of improved production technology among growers who appear to be aware of the steps to be taken to mitigate the adverse effects of erratic rainfall.

The estimates for Andhra Pradesh are also quite revealing. While its average was only 507 kg per hectare in 2011-12 it is expected to go up by 65 kg to touch 572 kg per hectare in 2012-13.

CAB has projected mill consumption to go up by 12.32 lakh bales in 2012-13 from the previous year's 217.68 lakh bales to 230 lakh bales. While imports are expected to remain at the last year's level of 12 lakh bales in 2012-13 also, exports are projected to come down sharply from last year's 128.81 lakh bales to 70 lakh bales in 2012-13. It will be recalled that 2011-12 was a boom year for cotton exports since China was building up its national reserve of cotton. Based on the changes now made, CAB has framed the cotton Balance Sheet as under:

	(in lakh bales)	
	2011-12	2012-13
Opening Stock	45.77	28.56
Production	353.00	334.00
Imports	12.00	12.00
<b>Total Supply</b>	<b>410.77</b>	<b>374.56</b>
Mill Consumption	217.68	230.00
Consumption by SSUs	21.63	20.00
Non-mill use	14.09	20.00
Exports	128.81	70.00
<b>Total Offtake</b>	<b>382.21</b>	<b>340.00</b>
Carryover Stock	28.56	34.56

The carryover stock is thus projected to be higher by six lakh bales by the close of 2012-13. It is likely that this may exert some downward push to cotton prices.

<b>UPCOUNTRY SPOT RATES</b> (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 October 2012					
Sr. No.	Growth Standard	Grade /GPT	Grade	Staple	Micronaire	Strength	1st	2nd	3rd	4th	5th	6th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	15	10292 (36600)		10151 (36100)	10011 (35600)	10151 (36100)	10151 (36100)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 – 7.0	15	10432 (37100)	H	10292 (36600)	10151 (36100)	10151 (36100)	10292 (36600)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	20	7086 (25200)		7086 (25200)	7030 (25000)	7030 (25000)	7030 (25000)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	21	8436 (30000)	O	8380 (29800)	8239 (29300)	8239 (29300)	8239 (29300)
5	M/M	ICS-104	Fine	24mm	4.0 – 5.5	23	N.Q.		N.Q.	N.Q.	N.Q.	N.Q.
6	P/H/R	ICS-202	Fine	26mm	3.5 – 4.9	26	8942 (31800)		8830 (31400)	8689 (30900)	8661 (30800)	8717 (31000)
7	M/M/A	ICS-105	Fine	26mm	3.0 – 3.4	25	8858 (31500)	L	8717 (31000)	8633 (30700)	8633 (30700)	8633 (30700)
8	M/M/A	ICS-105	Fine	26mm	3.5 – 4.9	25	N.Q.		N.Q.	N.Q.	N.Q.	N.Q.
9	P/H/R	ICS-105	Fine	27mm	3.5 – 4.9	26	9392 (33400)		9280 (33000)	9139 (32500)	9055 (32200)	9111 (32400)
10	M/M/A	ICS-105	Fine	27mm	3.0 – 3.4	26	8998 (32000)	I	8914 (31700)	8830 (31400)	8830 (31400)	8830 (31400)
11	M/M/A	ICS-105	Fine	27mm	3.5 – 4.9	26	N.Q.		N.Q.	N.Q.	N.Q.	N.Q.
12	P/H/R	ICS-105	Fine	28mm	3.5 – 4.9	27	9448 (33600)		9336 (33200)	9195 (32700)	9111 (32400)	9167 (32600)
13	M/M/A	ICS-105	Fine	28mm	3.5 – 4.9	27	9280 (33000)	D	9223 (32800)	9139 (32500)	9139 (32500)	9139 (32500)
14	GUJ	ICS-105	Fine	28mm	3.5 – 4.9	27	9364 (33300)		9280 (33000)	9223 (32800)	9223 (32800)	9223 (32800)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 – 4.9	28	9505 (33800)	A	9448 (33600)	9392 (33400)	9392 (33400)	9392 (33400)
16	GUJ	ICS-105	Fine	29mm	3.5 – 4.9	28	9476 (33700)		9420 (33500)	9336 (33200)	9336 (33200)	9336 (33200)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 – 4.9	29	9561 (34000)		9561 (34000)	9561 (34000)	9561 (34000)	9561 (34000)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 – 4.9	30	9898 (35200)	Y	9898 (35200)	9898 (35200)	9898 (35200)	9898 (35200)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 – 4.9	31	10123 (36000)		10123 (36000)	10123 (36000)	10123 (36000)	10123 (36000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	13498 (48000)		13498 (48000)	13498 (48000)	13498 (48000)	13498 (48000)

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