Weekly Publication of

Cotton Association of India

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Cotton Statistics And News

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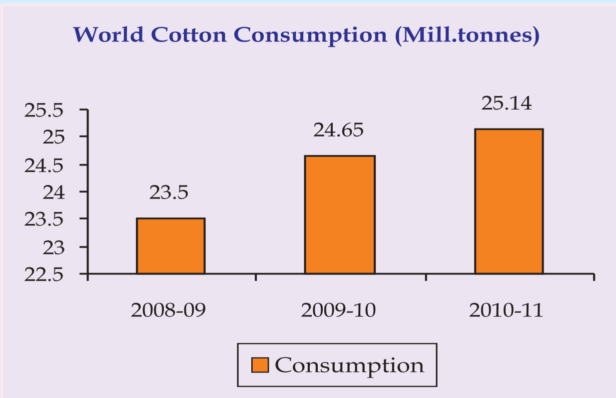
Strong Market Fundamentals Rather Than Speculation behind World Cotton Prices Surge - ICAC

The International Advisory Committee (ICAC), in its October 01, release, states that international cotton prices have risen almost continuously since April 2009. The rise has been particularly steep since August 2010. The Cotlook A Index reached 115.60 US Cents (USC) per pound on September 29, 2010, 80 per cent higher than at the same time last year, and the highest value reached since May 23, 1995.

Analysing the reason why cotton prices have been increasing so much and so fast over the last year and a half, ICAC states that the recent increase in price is mainly due to strong market fundamentals rather than speculation. World cotton stocks fell by 24 per cent to 9.0 million tonnes (mt) in 2009-10. This marked the end of a five year period of high stocks that started in 2004-05, when they jumped by 2.8 mt to almost 12 mt. The global stocks-to-use ratio decreased from 50 per cent in 2008-09 to 36 per cent in 2009-10, the lowest since 1980-81. The reason for such a steep decline in stocks in 2009-10 was that the world cotton mill use rebounded by 5 per cent to 24.6 mt, greatly exceeding production which fell by 7 per cent to 21.8 mt.

After declining for three consecutive years, world cotton production is expected to rebound by 16 per cent to 25.2 mt in 2010-11, triggered by the significant rise in prices experienced in 2009-10. The major increase is expected in US from last season's 2.65 mt to 4.10 mt in 2010-11. Indian crop is also projected to be higher at 5.72 mt in 2010-11 compared to 5.05 in 2009-10.

ICAC states that global cotton mill use should continue to recover, although more slowly than in 2009-10, due to limited available supplies and high prices of the fibre, to reach 25.1 mt. Thus, China's cotton mill use is projected to go up from 9.87 mt in 2009-10 to 10.02 mt in 2010-11 and India from 4.22 mt to 4.56 mt. Although its production is set to go up significantly, cotton consumption by US is not forecast to undergo any change in 2010-11.



As production and consumption are forecast to roughly balance in 2010-11, world ending stocks are not expected to increase significantly. Stocks in 2010-11 are placed at 9.06 mt compared to 8.96 mt in 2009-10. The global stocks-to-use ratio is expected to remain at 36 per cent, much lower than the recent five-year average of 49 per cent and reflective of a relatively tight supply situation in the world cotton market. These perspectives, added to concerns about the damage caused to Pakistan's 2010-11 crop by the heavy floods in August and likely delays in harvest in China and India are stated to have supported cotton prices in the first two months of 2010-11. The restriction on cotton shipments announced by a large exporting country like India during 2010-11 are also said to have exacerbated the price increase. The ICAC Price Model has forecast a 2010-11 season-average Cotlook A Index of 90 USC per pound, 15 per cent higher than last season's 77.54 USC per pound.

Supply and Distribution of World Cotton (mt)

	2008-09	2009-10	2010-11 (Proj)
Beginning Stock	12.23	11.87	8.96
Production	23.34	21.80	25.25
Consumption	23.50	24.65	25.14
Exports	6.62	7.80	8.38
Imports	6.52	7.76	8.38
Ending Stock	11.87	8.96	9.06

(Source : ICAC Monthly - October 2010)

Improving Water Use Efficiency in Cotton

Water is a scarce commodity and requires careful use, which can be achieved through a variety of means. Prior to the formal inauguration of the 69th Plenary Meeting of the International Cotton Advisory Committee, a Round Table discussion was held on this topic on September 19. According to the ICAC release, the discussion recognised that water use efficiency should be improved by adopting efficient delivery systems, improved management and performance of systems and reduced "non-water" production limitations.

It was indicated during the discussion that 23 per cent of the water used in agriculture in Texas, USA, is used to grow cotton. Because of the fact that chemical use in cotton increased during 1970s and 1980s, various agencies are continuously monitoring underground water with respect to residues from plant protection chemicals and fertilisers. The results reportedly showed that thanks to farmers' vigilance, underground water did not show any signs of increased use of chemicals on crops.

The discussion during the session reportedly indicated that not one system of irrigation can be recommended for all countries, mainly because of variations in soil types, some systems like drip irrigation and sprinkler irrigation are superior in water use efficiency but they are too expensive to be installed. Biotech varieties that require less water to mature could further save water use in cotton but it is uncertain when such varieties will become available for commercial adoption in all countries.

Cotton is stated to have done very well with respect to water use in recent decades, farmers are now said to be producing 3-4 times higher quantity of cotton with the same quantity of water used 40 years ago. There is said to have been consensus that farmers should use appropriate irrigation methods depending upon soil conditions. They should strive to eliminate water run-off, and Governments must monitor the status of underground water. Water use efficiency is an important issue for agriculture and will also be discussed at the World Cotton Research Conference - 5 to be held in India from November 7-11, 2011, it is stated.

(Source : ICAC Release)

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

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SUPPLY AND DISTRIBUTION OF COTTON

October 01, 2010

Years Beginning August 1				Million Metric Tons		
	2006/07	2007/08	2008/09	2009/10Proj.	2010/11Proj.	2011/12 Proj.
BEGINNING STOCKS						
WORLD TOTAL	**12.559**	**12.792**	**12.231**	**11.868**	**8.96**	**9.06**
China(Mainland)	3.991	3.653	3.321	3.585	2.94	2.91
USA	1.321	2.064	2.188	1.380	0.65	0.52
PRODUCTION						
WORLD TOTAL	**26.757**	**26.029**	**23.338**	**21.795**	**25.25**	**26.42**
China (Mainland)	7.975	8.071	8.025	6.850	6.96	7.24
India	4.760	5.219	4.930	5.050	5.72	5.83
USA	4.700	4.182	2.790	2.654	4.10	4.15
Pakistan	2.121	1.876	1.891	2.019	1.89	2.08
Brazil	1.524	1.602	1.214	1.181	1.48	1.70
Uzbekistan	1.171	1.206	1.000	0.850	1.06	1.07
Others	4.506	3.873	3.488	3.191	4.03	4.33
CONSUMPTION						
WORLD TOTAL	**26.429**	**26.509**	**23.504**	**24.648**	**25.14**	**25.53**
China (Mainland)	10.600	10.900	9.265	9.867	10.02	10.15
India	3.908	4.050	3.863	4.222	4.56	4.79
Pakistan	2.633	2.649	2.428	2.307	2.25	2.30
East Asia & Australia	1.864	1.835	1.680	1.824	1.88	1.89
Europe & Turkey	2.084	1.744	1.409	1.537	1.52	1.52
Brazil	0.992	1.007	0.974	0.979	1.00	1.02
USA	1.074	0.998	0.781	0.751	0.74	0.69
CIS	0.681	0.664	0.596	0.607	0.59	0.58
Others	2.593	2.662	2.508	2.554	2.58	2.60
EXPORTS						
WORLD TOTAL	**8.068**	**8.375**	**6.619**	**7.799**	**8.38**	**8.43**
USA	2.821	2.968	2.887	2.621	3.49	3.41
India	0.960	1.530	0.515	1.390	1.09	1.11
Uzbekistan	0.980	0.900	0.630	0.820	0.82	0.78
CFA Zone	0.924	0.595	0.467	0.554	0.57	0.56
Brazil	0.283	0.486	0.596	0.433	0.52	0.65
Australia	0.465	0.265	0.261	0.461	0.50	0.51
IMPORTS						
WORLD TOTAL	**8.144**	**8.393**	**6.523**	**7.755**	**8.38**	**8.43**
China	2.306	2.511	1.523	2.374	3.02	3.22
East Asia and Australia	1.899	1.860	1.665	1.882	1.89	1.92
Europe & Turkey	1.340	1.081	0.861	1.155	0.98	0.98
Pakistan	0.502	0.851	0.417	0.336	0.39	0.30
CIS	0.322	0.271	0.239	0.219	0.20	0.19
TRADE IMBALANCE 1/	**0.076**	**0.018**	**-0.096**	**0.044**	**0.00**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.171**	**-0.100**	**-0.102**	**-0.010**	**-0.01**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**12.792**	**12.231**	**11.868**	**8.962**	**9.06**	**9.95**
China (Mainland)	3.653	3.321	3.585	2.937	2.91	3.22
USA	2.064	2.188	1.380	0.653	0.52	0.57
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA(M) 3/	**58**	**57**	**58**	**41**	**41**	**44**
CHINA (MAINLAND) 4/	**34**	**30**	**39**	**30**	**29**	**32**
Cotlook A Index 5/	**59.15**	**72.90**	**61.20**	**77.54**	**90***	

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.
2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.
3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.
4/ China's ending stocks divided by China's mill use, multiplied by 100.
5/ U.S.Cents per pound
* The price projection for 2010/11 is based on the ending stocks/consumption ratio in the world-less-China in 2008/09(estimate), in 2009/10 (estimate) and in 2010/11 (projection), on the ratio of Chinese net imports to world imports in 2009/10 (estimate) and 2010/11 (projection)
95% confidence interval: 78 to 106 cents per pound

(Source : ICAC Monthly October 2010)

SNIPPETS

An ICAC Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP) is reported to have released a study of pesticide use in cotton in Australia, Brazil, India, Turkey and the USA. According to its findings, the maximum use of pesticide on cotton appears to be in Brazil with a use of 4.9 kg. of active ingredient per hectare. India's pesticide use was placed at 0.9 kg. active ingredient per hectare and that in Australia at 1 kg, USA at 1.2 kg, and Turkey at 0.6 kg. active ingredient per hectare.

A drop in demand for organic cotton in the West, against an increase in production has forced large retailers to cut consumption, says a report. The premium enjoyed by organic cotton in its prices is reported to have come down substantially from about 20-25 cents per pound over conventional cotton five years ago to just about 5-7 cents now, it is stated, Production of organic cotton in India is reported to have gone up from about two lakh bales in 2006 to seven lakh bales now.

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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 October 2010					
						9th	11th	12th	13th	14th	15th
03.	ICS-102	22mm	V-797	4.5-5.9	19		26000	26000	26000	26000	26000
04.	ICS-103	23mm	Jayadhar	4.0-5	19	H	26500	26500	26500	26500	26500
05.	ICS-104	24mm	Y-1	4.0-5.5	20		31500	31000	31000	31000	31000
07.	ICS-105	25mm	NHH-44	3.5-4.9	22	O	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.	N.A.	N.A.
2010-11 CROP											
01.	ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0	15	L	27800	27800	27800	27800	27800
02.	ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0	15	I	28200	28200	28200	28200	28200
06.	ICS-202	25mm	J-34	3.5-4.9	23		-	-	-	-	-
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	D	38500	39000	39000	39500	40000
10.	ICS-105	29mm	S-6	3.5-4.9	26		40000	40800	40800	40800	41000
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 Y	27	A	40500	40300	40300	40500	41000
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28		42000	42000	42000	42000	43000
13.	ICS-107	35mm	DCH-32	2.8-3.6	31	Y	46000	46000	46000	46000	46000