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Cotton Statistics And News

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Cotton Season 2008-09 - A Review

(Continued from last issue...)

Productivity

There has been a surge in the productivity of cotton in India for the last few years, especially after the introduction of Bt.cotton in 2002-03 and its rapid spread thereafter. From about 308 kgs per hectare in 2001-02, the average yield jumped to 554 kg in 2007-08, an increase of 80 percent. Although there was a minor setback in yield during 2008-09 mainly due to the unfavourable seasonal conditions, the national average yield was still maintained high at 524 kg per hectare. Apart from the boost given by the extensive spread of high yielding Bt.cotton, productivity also got a push from the adoption of modern production technology over wider areas, thanks to the sustained efforts under Technology Mission on Cotton (TMC). The State-wise average yield in 2007-08 and 2008-09 has been as under:

State	Avg. Yield(kg/hectare)	
	2007-08	2008-09
Punjab	563	565
Haryana	528	522
Rajasthan	415	422
Gujarat	772	650
Maharashtra	330	335
Madhya Pradesh	540	490
Andhra Pradesh	690	644
Karnataka	337	375
Tamil Nadu	687	780
All-India	554	524

It is interesting to note that while the gap between the world average yield and Indian yield is being gradually narrowed down, the average yield in Gujarat surpassed the former during 2007-08 and Tamil Nadu did so in 2008-09 when the world average yield was around 763 kg per hectare. This clearly indicates the potential for India to catch up with at least the world average, if not the yields obtained in leading countries like China and USA.

Consumption

Consumption of cotton by mills had been on the rise in the last several years and it touched a peak of 195.91 lakh bales in 2007-08. The conditions proved to be quite conducive for the textile industry in 2006-07 when there was abundant supply of home grown cotton at reasonable prices and the demand for textiles was quite high. The industry thus embarked on extension plans triggering higher cotton consumption which shot up from 171.46 lakh bales in 2005-06 to 190.77 lakh bales in 2006-07 and to 195.91 lakh bales in 2008-09. Unfortunately, the industry received a setback in 2008-09 because of the slowdown in the domestic economic growth and the global financial crisis, both of which brought down the demand for textiles both in the domestic and overseas markets. Further, the domestic cotton prices shot up in 2008-09 owing to a steep hike in the minimum support prices. The mill consumption of cotton is thus projected to decline to about 190 lakh bales in 2008-09. The monthly consumption by mills upto June 2009 has been as under:

Month	Cotton Consumption in Mills (lakh bales)	
	2007-08	2008-09
October	16.40	14.93
November	15.20	15.36
December	16.91	16.23
January	16.69	16.23
February	16.33	14.66
March	16.59	15.74
April	17.98	16.93
May	18.95	17.66
June	18.55	17.64
Total (for 9 months)	153.60	145.38

Consumption of cotton by small scale unit was also lower in 2008-09 and is placed at 20 lakh bales as compared to 22.08 lakh bales in 2007-08. However, there was only a minor decline in the case of non-mill use which is estimated at 19 lakh bales in 2008-09 as against 19.13 lakh bales in 2007-08.

Import

Although the overall domestic production in 2008-09 was far in excess of demand, there has been an imbalance in the staple-wise production, with that of extralong staple cotton continuing to fall short of demand. Import of cotton, mostly in this category, was therefore unavoidable. During 2008-09, mills were inclined to resort to some import of other category also because of the rise in domestic prices. To facilitate import, Government removed the import duty on cotton. According to the Cotton Advisory Board, imports during 2008-09 aggregated to 10 lakh bales, as against 6.38 lakh bales in 2007-08.

Currently, the only extralong staple cotton in large scale commercial cultivation is DCH-32. This is adaptable to only a few States and therefore the production is limited. Efforts are being made to raise the per hectare productivity through wider adoption of improved technology, and also step up the area to the extent possible. Further, research is in progress to breed new DLS types which are more productive and adaptable to other areas. Some positive results have already been achieved and it is expected that more ELS cotton will be available for commercial cultivation shortly. Thus, the possibility is that in the next few years the domestic production of ELS cotton will make a breakthrough, eliminating the need for import.

Export

Recently, the country has emerged as a major exporter of raw cotton with the export peaking to 88.5 lakh bales during 2007-08. India emerged as

the world's second largest exporter, after US. The export scenario, however, received a serious setback in 2008-09 owing to the steep hike in the support prices and the consequent rise in market prices. Indian cotton prices thus became out of parity with international prices and the main importing countries like China shied away from India and turned more and more to countries like US for price competitive supplies. For instance, the share of Indian cotton in the total Chinese imports plunged from a respectable 37 per cent in 2007-08 to a mere 9 per cent in 2008-09. On the other hand, share of import from US rose sharply from 39 per cent in 2007-08 to 64 per cent in 2008-09.

Another development was that the textile industry urged the Government to ban exports of raw cotton to contain the rising domestic prices. The Government did not fully accede to this but it made it mandatory for export transactions to be registered in advance with the Textile Commissioner. At the same time, the Government withdrew the one per cent duty drawback on cotton exports which drew protests from the trade which appealed to the Government for restoration of the same. However, August 29, 2009, the CAB estimated the exports during 2008-09 at 35 lakh bales. However, according to the data on actual export registrations maintained by the Textile Commissioner, exports during 2008-09 aggregated to 33.14 lakh bales.

Balance Sheet

The cotton balance sheet as drawn up by the Cotton Advisory Board at its meeting held on 29th August 2009 is given below :

	(In lakh bales)	
	2007-08	2008-09
Supply		
Opening Stock	47.50	35.50
Production	307.00	290.00
Imports	6.38	10.00
Total Supply	360.88	335.50
Demand		
Mill Consumption	195.67	190.00
Consumption by SSI	22.08	20.00
Non-mill consumption	19.13	19.00
Exports	88.50	35.00
Total Demand	325.38	264.00
Carryover Stock	35.50	71.50

The carryover stock is expected to be more than double the opening stock. However, it will be still higher at 73.36 lakh bales if exports are reckoned at 33.14 lakh bales as per the data maintained by the Textile Commissioner.

UPCOUNTRY SPOT RATES

October 2009	2008-09										2009-10						(Rs. \ Candy)	
	V-797	Jayadhar	Y-1	NHH-44	LRA-5166	H-4 / MECH-1	MCU-5/ Surabhi	DCH-32	ICC	BD(RG) A.Commla	BD SG	J-34	Shankar-6	Bunny/ Brahma				
1	18000	18000	21200	20900	21000	21600	23700	32900	22200	21200	21700	20800	22700	22900				
2	....	....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
3	18000	18000	21200	20900	21000	21600	23700	32900	22200	21200	21700	20800	22700	22900				
5	18000	18000	21200	20900	21000	21600	23700	32900	22200	21200	21700	20800	22700	22900				
6	18000	18000	21200	20900	21100	21700	23700	32900	22200	21200	21700	20800	22900	23100				
7	18000	18000	21200	20900	21100	21700	23700	32900	22200	21200	21700	20800	22900	23100				
8	18000	18000	21200	20900	21100	21700	23700	32900	22200	21200	21700	20800	22900	23100				
9	....	....	.....	.....	.....	.....	MARKET CLOSED	.....	.....	.....	.....	.....	.....	.....
10	....	....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
12	18000	18000	21200	20900	21100	21500	23700	32900	22200	21700	22200	21300	22700	22900				
13	....	....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
14	18000	18000	21200	20900	21100	21700	23700	32900	22200	22600	23000	21300	23000	22900				
15	18000	18000	21200	20900	21100	21700	23700	32900	22200	22600	23000	21500	23000	22900				
16	18100	18100	21300	21000	21200	21800	23700	32900	22300	22800	23200	21600	23200	23000				
17	....	....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
19	....	....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
20	18100	18100	21300	21000	21200	21800	23700	32900	22300	22800	23200	21600	23300	23000				
21	18100	18100	21300	21000	21200	21800	23700	32900	22300	22800	23200	21600	23300	23000				
22	18100	18100	21300	21000	21200	21800	23700	32900	22300	23000	23400	21800	23400	23500				
23	18100	18100	21300	21000	21200	21800	23700	32900	22300	23000	23400	21800	23400	23500				
24	....	....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
26	18100	18100	21300	21000	21200	21900	23700	32900	22300	23000	23400	21800	23600	23500				
27	18100	18100	21300	21000	21500	21900	23900	32900	22400	23500	23900	22100	24000	23700				
28	18100	18100	21300	21000	21500	21900	23900	32900	22400	24000	24400	22300	23800	23700				
29	18100	18100	21300	21000	21500	21900	23700	32900	22400	24000	24400	22100	23800	23500				
30	18100	18100	21300	21000	21500	21900	23700	32900	22400	24000	24400	22100	23800	23500				
31	18100	18100	21300	21000	21500	21900	23700	32900	22400	24000	24400	22100	23800	23500				
H	18100	18100	21300	21000	21500	21900	23900	32900	22400	24000	24400	22300	24000	23700				
L	18000	18000	21200	20900	21000	21500	23700	32900	22200	21200	21700	20800	22700	22900				
A	18100	18100	21300	21000	21200	21800	23700	32900	22300	22600	23000	21500	23300	23200				

H = Highest L = Lowest A = Average

Mixed Trend in Cotton Prices during October

The new cotton season 2009-10 has just commenced and crop arrivals have yet to gain momentum in different States. The spot rates of the new crop are thus available only for a few varieties and they do not show any distinct trend. In some cases prices have moved up while in some others they have lost ground. The available data on monthly average spot rates of a few varieties are given below:

Variety	Avg. Spot Rates (Rs/Candy)	
	Sept. '09	Oct. '09
J-34	21,800	21,500
S-6	22,500	23,300
Bunny	23,000	23,200

The increase in prices during October 2009 may be largely attributed to the limited supply as against good demand for the new crop produce. The arrivals are expected to gather momentum by November when a clearer trend would be discernible.

SNIPPETS

Cotton procurement by the Maharashtra Co-operative Cotton Growers Marketing Federation commenced on November 5, 2009, according to a report. The procurement is stated to have begun at 290 centres at a guarantee price of Rs. 2,850 per quintal. The State Government would provide margin money of Rs.100 crore while the Government guarantee would be Rs. 500 crore, adds the report. It is estimated that approximately 150 lakh quintals of kapas will be procured.



The Union Textile Minister is reported to have assured the textile industry that the discount scheme of CCI on bulk purchase of cotton would be discontinued in 2009-10. He is also reported to have informed that the issue of export incentive on raw cotton has been taken up with the Prime Minister as well as Finance and Commerce Ministers. Further, the Minister is reported to have responded favourably to the industry's suggestion that CCI should open more depots in textile clusters for setting procured cotton.



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) 2008-09 CROP November 2009					
						7th	9th	10th	11th	12th	13th
03.	ICS-102	22mm	V-797	4.5-5.9	19	18100	18100	18100	18100	18100	18100
04.	ICS-103	23mm	Jayadhar	4.0-5.5	19	18600	18600	18600	18600	18600	18600
05.	ICS-104	24mm	Y-1	4.0-5.5	20	21200	21200	21200	21200	21200	21200
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	24000	24000	24000	24300	24300	24600
13.	ICS-107	35mm	DCH-32	2.8-3.6	31	33400	34000	34500	35000	35000	35000
14.	ICS-301	26mm	ICC	3.7-4.3	25	22400	22400	22400	22400	22400	22400
2009-10 CROP											
01.	ICS-101	Below 22mm	Bengal Desi(RG)	5.0-7.0	15	24500	24000	24100	24000	24000	24000
02.	ICS-201	Below 22mm	Bengal Desi(SG)	5.0-7.0	15	24900	24400	24500	24400	24400	24400
06.	ICS-202	25mm	J-34 (SG)	3.5-4.9	23	23400	23100	23200	23400	23300	23300
07.	ICS-105	25mm	NHH-44	3.5-4.9	22	22800	22800	22800	22800	22800	22800
08.	ICS-105	27mm	LRA-5166	3.5-4.9	24	23300	23000	23000	23000	23000	23000
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	23800	23200	23200	23200	23200	23200
10.	ICS-105	29mm	S-6	3.5-4.9	26	24200	24200	24400	24700	24600	24600
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	24000	23700	23700	23700	23700	23700