Weekly Publication of

Cotton Association of India

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2017-18 • No. 34 • 21st November, 2017 Published every Tuesday

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China's Clampdown on Pollution is Changing the Textile Environment

With a Ph.D. in Agricultural and Resource Economics from Oregon State University in the USA, Dr. Terry Townsend is a consultant on commodity issues. He is currently working with the African Cotton and Textile Industries Federation (ACTIF). He served as executive director of the International Cotton Advisory Committee (ICAC) and has also worked at the United States Department of Agriculture for five years, analyzing the U.S. cotton industry and editing a magazine devoted to a cross-section of agricultural issues.

EXPERT's Column

Dr. Terry Townsend
Cotton Analytics

Ed Jernigan
CEO of JG Global

Ed Jernigan, the CEO of JG Global has over 35 years of experience in the global cotton and commodities industry, spanning a wide cross section of the industry. He was a member of the New York Cotton Exchange where he went on to serve on the board of directors. He has been nominated as one of the top 10 commodity brokers in the world. He has been at the forefront in advocating for the development of a new clean transparent supply chain in the food and fibre commodities that assures the consumer of a higher quality product and a fairer distribution of the proceeds of the supply chain.

China's move to enforce environmental regulations has entered a new phase, and by one estimate, a third of all factories in China have experienced at least some temporary closures. The Chinese Purchasing Manager Index (PMI) for October declined to 51.6 from a 5-year high of 52.4 in September. The large-company PMI remained above 50, but the medium- and small- company PMI's contracted to 49.8 and 49.0, respectively; any index value below 50 denotes contraction. The China National Bureau of Statistics (NBS) said that the PMI for high energy-consuming and polluting companies declined as a result of the government's crackdown on pollution violators.

The regulatory clampdown is showing no signs of weakening. Factories that burn coal or use electricity generated by coal, factories that are heavy water users and factories that discharge pollutants into water or air, are being shut down or forced to make significant investments in expensive treatment technology. Some factories are being closed altogether because they simply cause too much environmental damage. Even if a factory complies, a subcontractor could be shut down, disrupting the supply chain.

As of 2017, the size of the disruption is only a ripple going through the textile supply chain,

but this is only the beginning. Other than new factories in the western region of Xinjiang, most of the country's massive petrochemical, manmade fibre, textile and apparel operations are in Eastern China, which has the dirtiest air and water in the country. Iconic textile regions, such as Shandong and Hebei, are at the heart of the pollution crackdown.

The primary raw materials for producing polyester and other manmade fibres are crude oil, coal and natural gas, and one key target of the pollution crackdown is the use of coal. Polyester is produced from Purified Terephthalic Acid (PTA) and Monoethylene Glycol (MEG). Both are sometimes made from coal, and production of each has been affected by the closure of coal based plants.

While new production capacity is reportedly set to come on line in the manmade fibre sectors of China, there are also indications that the environmental regulations are curtailing domestic production and leading to increased imports of fibre. The increase in Chinese polyester fibre production from 1 million tons in 1990 to 35 million tons by 2015 put significant pressure on South Korean and Taiwanese producers, formerly the largest exporters. Ironically, in recent months China has actually begun to import polyester staple fibre. Imports in September from South Korea were up 100% from a year ago, and imports from Taiwan and Thailand were also noted. This is quite unusual.

Recyclers Affected

As crazy as the argument seems, there is a lot of hype in the apparel world regarding yarns made from recycled plastic water bottles, calling them Eco-Friendly. Recycling has become a big business in China, but the recycling process is energy intensive, and a large number of recycling plants have been closed in recent months. China has also announced that as of the end of 2017, it will no longer allow the import of plastic bottle waste which is used as a raw material, leading to reduced prices for bottle waste in exporting markets. China is aggressively moving away from the products which have destroyed its environment. This will have huge consequences as it shakes the foundation of the global manmade fibre industry.

Viscose Production Curtailed

The much-hyped viscose fibre, which has taken market share from cotton due to its advantage in adding softness to products, is also being affected. Breaking down wood pulp into a fibre is environmentally damaging unless expensive equipment is installed, which has not happened in much of the Chinese industry. Water is an important resource for viscose manufacturing, and plants in China have typically been built adjacent to rivers and linked to their pollution.

Bamboo is also a popular raw material for viscose fibre in China and a couple of other locations in Asia. Bamboo has been promoted as a more environmentally friendly type of viscose because the bamboo is typically grown on marginal land. However, the process to breakdown bamboo is also harmful to the environment unless the process is strictly controlled. Worker safety is a major concern. Twenty-one companies in China now account for 65% of global viscose fibre production. One of the largest is in Jiangxi Province and has been sighted for releasing untreated waste water into China's largest fresh water lake, Poyang, and for contaminating nearby rice fields.

Polyester Costs

The production cost of polyester fibre is increasing and will continue to move higher. Chinese fabric cost will move higher, as well. Unlike cut and sew operations, which can migrate to the cheapest locations, manmade fibre production and dyeing and finishing operations, which are linked to the discharge of untreated effluent, are capital intensive and cannot be moved easily.

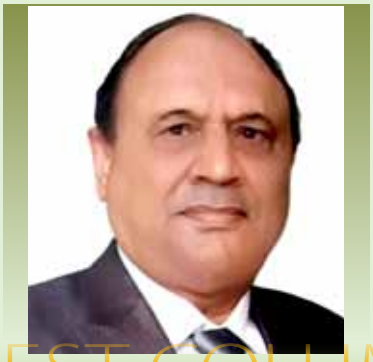
India, which would be one logical relocation target, already has a pollution crisis of its own. Vietnam, which has drawn some of the largest investments in textile production in recent years, has already taken a tough stance on dyeing and finishing after seeing what these industries have done to the Chinese environment. Therefore, ***The Age of Cheap Polyester is Over.***

We expect the impact of the crackdown on pollution in China to actually be evident in the 2018/19 season in the cotton industry and will have an effect on prices by stimulating demand. Increases in world cotton mill use may be stimulated if the Cotlook A Index falls to less than 75 cents per pound.

(The views expressed in this column are of the author and not that of Cotton Association of India)

Doubling of Farmers' Income by 2022 - A Kaleidoscope

(Contd. from Issue No. 33, Dated 14th November, 2017)



GUEST COLUMN

Dr. Brijender Mohan Vithal
Cotton Expert

Dr. Brijender Mohan Vithal has a Ph.D. Agric (Plant Breeding-Cotton) from Punjab Agriculture University (PAU) Ludhiana. He has been associated with cotton R&D activities for more than three decades. He has worked as a Senior Cotton Breeder with PAU, GM Production / Executive Director with National Seeds Corporation and Director, DOCD, Ministry of Agriculture (MOA). He was Officer on Special Duties (OSD) to look after activities related with Tech Mission on Cotton (TMC) in CCI Ltd during its pre-launch period. He joined CCI Ltd - TMC Cell (MMIII & IV) during 1999 and continued working there till the end of the TMC Project in December 2010. He is still associated with cotton through agencies like ISCI.

How to Achieve Targets of Doubling Cotton Farmers' Income by 2022?

To double cotton farmers' income by 2022, the following issues need to be taken up on a priority basis:

Branding of Indian Cottons

Of course, an increase in yield is basic to improving farmers' income. But the yield has been stagnant for the last 10 years. It may take a few years from now for the yield to improve further even if the Govt.'s proposed schemes are implemented. In the mean time it is necessary to take steps to create better market for the available produce.

Indian farmers are already producing enough cotton to meet domestic requirements. Every additional kg of cotton is to be produced only if it has its demand in world market at competitive price. Otherwise, it will be a liability for the Indian Govt, as it will have to be purchased by CCI at MSP rates. The losses incurred by CCI while selling such cotton, besides its administrative cost, will have to be borne by the Govt of India. Thus, every additional production of cotton either by increasing productivity or by increasing area will only be an additional burden on the Indian Govt unless the commodity finds an assured market overseas or there is increase in domestic consumption.

To secure a place in the world market, Indian cotton should be branded. And for branding, the first and foremost requirement is to produce quality cotton matching with the parameters prescribed by global buyers. Such an initiative will improve its demand in both domestic and overseas markets.

Increase in Production

There should be absolutely no increase in area under cotton cultivation. Rather, it should be reduced so that the surplus land could be diverted to other crops like pulses and oilseeds. And if cotton production is to be increased, it should be only by improving its productivity.

Of course, farmers in India are free to cultivate crop/variety of their choice. Farmers are getting good margins if they cultivate cotton even if it is sold at MSP. Otherwise, those farmers who have the choice may jump to cultivate other such crops. The MSP even at the present rate for cotton, may be one of the reasons that farmers do not want to shift to

pulses and oilseeds. Indian Govt is incurring heavy expenses for import of pulses and oils.

Farmers must get good MSP. But if cotton productivity is increased, its cost of production per kg will come down. Thus, even the existing MSP will sustain farmers' interest to continue with this crop.

Best Packages of Practices for getting high yields are published by ICAR Institutes and state agricultural universities which are updated every year. Farmers of each state should follow guidelines issued by respective state institutions. These vary from state to state and also from one area to another.

Reduction in Cost of Cultivation

If farmers follow the guidelines issued by scientists of their respective states, more quantities of better quality cotton will be produced at a cheaper rate. Few points to reduce cost of cultivation are i) Sow only those cotton varieties/ hybrids that have been approved for that area, ii) Purchase seed from reliable sources and not spurious seeds from open market/ non reliable sources iii) Maintain maximum plant population as per guidelines, iv) Apply fertilizers to cotton crop based on soil test reports, v) Choose appropriate insecticides and restrict sprays based on ETH norms prescribed by experts; even while cultivating Bt cottons, due care has to be taken for pink boll worm, sucking pests like white fly and diseases like leaf curl virus, etc. Farmers must follow Integrated Pest Management (IPM). Depending upon irrigation facilities, crop rotation should be made in such a way that it increases farm income/ profits and also enriches the soil.

Clean Pick of Cotton

To maintain proper quality of cotton due care must be given while picking. It should be ensured that no leaves/other plant parts are mixed with harvested cotton. Segregation should be done variety wise/ pick wise/ quality wise while stacking cotton. Otherwise, it will not fetch a good price.

Contract Farming

Under contract farming there is involvement of farmers, technical advisers from agricultural institutions, traders, input suppliers, ginners, and textile mills besides a co-ordinating agency. Under contract farming all participants are benefitted.

One of the major factors that have deterred private players from entering the agricultural sector is the long pending reform of wholesale markets, which are regulated by the Agriculture Produce Market Committee (APMC) Act. The AMPC forces the farmers to sell their produce in government-controlled marketing yards. While the objective of APMC was to regulate markets and increase market yards, it has acted as a major obstacle to private investment.

Involvement of Private Sector to Join this Mission

Activities taken up by R& D Division of Confederation of Indian Textile Industry (CITI) are remarkable. Their efforts not only increased the area under cotton, but also improved its quality and productivity in the state of Rajasthan. Efforts should be made to encourage/involve such agencies on a larger scale. More and private agencies should come forward to join efforts being made for a good cause.

One Variety One Village

'One variety one village' concept was initiated during 1st TMC, but could not catch up due to various reasons. But it must be recognised that this is a quick method of improving quality and productivity of cotton. All farmers of a village should be provided with good quality seed of one variety. Also, the technical knowhow and all other farmers' requirement for production of good quality uniform cotton including guidance for proper market are provided at his door step.

(The views expressed in this column are of the author and not that of Cotton Association of India)

CAI Estimates Cotton Crop for 2017-18 Crop Year at 375 Lakh Bales

The Cotton Association of India (CAI) has released its first estimate of the cotton crop for the 2017-18 season beginning from 1st October 2017. The CAI has estimated cotton crop for the 2017-18 season at 375.00 lakh bales of 170 kgs. each which is higher by 37.75 lakh bales compared to the previous year's crop of 337.25 lakh bales.

The increase in crop estimated for the 2017-18 crop year is on account of the higher acreage under cotton than compared to the previous crop year. The acreage under cotton during 2017-18 is estimated to be more by about 19% than that of the previous season. However, the CAI estimates the yields to be lower by about 9% this year owing to the damage caused by pink boll worms.

The projected Balance Sheet drawn by the CAI estimates the total cotton supply for the cotton season 2017-18 at 422.00 lakh bales including the opening stock of 30 lakh bales at the beginning of the year and the imports which are estimated to be 17 lakh bales. The domestic consumption is estimated at 320 lakh bales while the exports are expected to be about 63 lakh bales.

The CAI has retained its estimate for previous crop year at 337.25 lakh bales of 170 kgs. each.

A statement containing the state-wise estimate of the cotton crop and the balance sheet for the cotton season 2017-18 with the corresponding date for the 2016-17 crop year is given below.

CAI's Estimate of Cotton Crop as on 31st October 2017 for the Seasons 2017-18 and 2016-17

(in lakh bales)

State	Production *		Arrivals As on 31st October 2017 (2017-18)
	2017-18	2016-17	
Punjab	11.50	8.75	1.50
Haryana	24.00	20.50	2.85
Upper Rajasthan	8.00	7.25	1.20
Lower Rajasthan	11.50	9.25	1.50
Total North Zone	**55.00**	**45.75**	**7.05**
Gujarat	100.00	89.00	2.85
Maharashtra	91.00	88.00	3.75
Madhya Pradesh	21.00	20.50	1.85
Total Central Zone	**212.00**	**197.50**	**8.45**
Telangana	56.00	48.00	1.60
Andhra Pradesh	22.00	18.50	0.95
Karnataka	20.00	17.00	0.70
Tamil Nadu	5.00	5.50	0.00
Total South Zone	**103.00**	**89.00**	**3.25**
Orissa	3.00	3.00	0.00
Others	2.00	2.00	0.00
Total	**375.00**	**337.25**	**18.75**

*Note: (1) * Including loose*

(2) Loose figures are taken for Telangana and Andhra Pradesh separately as proportionate to the crop for the purpose of accuracy

The Balance Sheet drawn by the Association for 2017-18 and 2016-17 is reproduced below:-

(in lakh bales)

Details	2017-18	2016-17
Opening Stock	30.00	36.50
Production	375.00	337.25
Imports	17.00	27.00
Total Supply	**422.00**	**400.75**
Mill Consumption	275.00	265.00
Consumption by SSI Units	30.00	27.00
Non-Mill Use	15.00	15.75
Total Domestic Demand	**320.00**	**307.75**
Available Surplus	**102.00**	**93.00**
Exports	63.00	63.00
Closing Stock	**39.00**	**30.00**

Production of Fibres

(In Mn. Kg)

As on	Raw Cotton (Oct.-Sept.)	Synthetic			Cellulosic	Sub Total
		PSF	ASF	PPSF	VSF	
2010-11	5765	896.33	79.48	3.74	305.10	1284.65
2011-12	6239	829.74	77.71	4.08	322.64	1234.17
2012-13	6290	848.05	73.59	4.26	337.49	1263.39
2013-14	6766	845.95	96.12	3.71	361.02	1306.80
2014-15	6562	881.56	92.54	4.62	365.17	1343.89
2015-16	5746	893.95	106.81	4.70	341.91	1347.37
2016-17 (P)	--	898.97	96.37	3.64	364.99	1363.97
2017-18 (P) (Apr.-Aug.)	--	393.70	41.03	1.27	160.31	596.31
2015-16						
April	--	73.62	9.45	0.35	28.62	112.03
May	--	75.55	9.50	0.30	18.42	103.77
June	--	67.17	7.88	0.31	19.50	94.86
July	--	70.75	9.15	0.40	29.70	110.00
August	--	74.07	9.35	0.47	30.63	114.52
September	--	74.24	7.95	0.46	30.42	113.07
October	--	76.66	9.23	0.38	31.34	117.61
November	--	74.98	8.15	0.30	30.72	114.15
December	--	76.65	9.36	0.45	31.49	117.95
January	--	79.10	9.40	0.46	31.33	120.29
February	--	73.52	8.58	0.42	28.07	110.59
March	--	77.64	8.81	0.41	31.67	118.53
2016-17 (P)						
April	--	73.56	8.86	0.37	30.32	113.11
May	--	77.07	9.39	0.44	31.72	118.62
June	--	77.46	9.28	0.45	21.87	109.06
July	--	79.32	8.07	0.30	30.41	118.10
August	--	79.92	8.20	0.35	31.96	120.43
September	--	76.96	9.02	0.22	31.14	117.34
October	--	79.51	6.75	0.16	32.46	118.88
November	--	71.06	7.10	0.24	31.18	109.58
December	--	71.65	7.28	0.29	32.09	111.31
January	--	72.68	7.78	0.20	32.11	112.77
February	--	63.78	7.42	0.20	28.24	99.64
March	--	76.00	7.22	0.42	31.49	115.13
2017-18 (P)						
April	--	72.23	7.63	0.26	30.51	110.63
May	--	75.90	7.79	0.32	29.59	113.60
June	--	71.90	7.65	0.24	31.55	111.34
July	--	75.73	8.47	0.13	35.52	119.85
August	--	97.94	9.49	0.32	33.14	140.89

(P)= Provisional

Source : Office of the Textile Commissioner

UPCOUNTRY SPOT RATES

(Rs./Qtl)

Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	Spot Rate (Upcountry) 2017-18 Crop NOVEMBER 2017					
							13th	14th	15th	16th	17th	18th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11529 (41000)	11529 (41000)	11529 (41000)	11529 (41000)	11529 (41000)	11529 (41000)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	8014 (28500)	8014 (28500)	8014 (28500)	8014 (28500)	8014 (28500)	8014 (28500)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9026 (32100)	9026 (32100)	9026 (32100)	9026 (32100)	9026 (32100)	9026 (32100)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	10067 (35800)	10123 (36000)	10179 (36200)	10179 (36200)	10179 (36200)	10179 (36200)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	9842 (35000)	9842 (35000)	9842 (35000)	9842 (35000)	9842 (35000)	9842 (35000)
9	P/H/R	ICS-105	Fine	27mm	3.5.4.9	26	10264 (36500)	10320 (36700)	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	9673 (34400)	9673 (34400)	9673 (34400)	9673 (34400)	9673 (34400)	9673 (34400)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	10404 (37000)	10461 (37200)	10517 (37400)	10517 (37400)	10517 (37400)	10517 (37400)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	10292 (36600)	10292 (36600)	10292 (36600)	10292 (36600)	10292 (36600)	10292 (36600)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)	10404 (37000)	10432 (37100)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	10517 (37400)	10517 (37400)	10517 (37400)	10517 (37400)	10517 (37400)	10517 (37400)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	10601 (37700)	10601 (37700)	10601 (37700)	10601 (37700)	10601 (37700)	10601 (37700)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)	10911 (38800)	10911 (38800)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	11726 (41700)	11726 (41700)	11726 (41700)	11726 (41700)	11726 (41700)	11726 (41700)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	14229 (50600)	14229 (50600)	14229 (50600)	14229 (50600)	14229 (50600)	14229 (50600)

Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]

(Note: Figures in bracket indicate prices in Rs./Candy)