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Cotton Statistics And News

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World Cotton Prices Touch Record Levels - ICAC

International cotton prices continued to rise steeply in October, states the International Cotton Advisory Committee (ICAC) in its latest release on November 1. The Cotlook A Index is stated to have broken the previous record of 119.4 US Cents (USC) per pound established on April 26, 1995 and continued to rise in the following weeks, reaching 147 USC per pound on October 27, 2010. It remained above 140 USC in the last few days of the month and averaged 127 USC in October, 21 per cent higher than in the previous month and 89 per cent higher than in October 2009.

The volatility in cotton prices is also said to be extremely high this season, averaging to 57 per cent from August to October 2010, compared to 11 per cent during the same period in 2009-10, and 16 per cent on average during the same period in the last decade. It is stated that this was the highest volatility recorded in the first three months of a season since the Cotlook A Index was first published in the 1960s, and it has already exceeded the seasonal volatility of the Index for the last 23 years.

The steep rise in cotton prices over the first three months of the current season, accompanied by high volatility, is said to reflect primarily a combination of low global cotton stocks and continued demand by spinning mills. It is also reinforced by panic induced by fear of defaults on contracts. Global cotton stocks fell by 5 per cent to 8.9 million tonnes (mt) in 2009-10, the smallest in seven seasons, whereas cotton demand rebounded by 5 per cent to 24.6 mt. In 2010-11, rising production and higher mill use are expected to keep global stocks tight. The strengthening of prices over the last few months is stated to have been exacerbated by several additional factors such as difficulties to source cotton in the transition period between the two seasons, the drop in Pakistan's production estimate due to devastating floods and the smaller-than-expected production in China, restrictions on

shipments from India and the weakening of the US dollar. It is stated that after declining for three consecutive years, world cotton production is expected to rise by 15 per cent to 25.3 mt in 2010-11. The increase is driven by the US where the production is projected up by 55 per cent to 4.1 mt. Indian production is forecast to reach a record 5.7 mt whereas Chinese crop may be slightly lower at 6.8 mt and Pakistan production may drop by 6 per cent to 1.9 mt. The current high cotton prices, it is stated, may trigger higher plantings in Australia, Brazil and Argentina leading to gains in production.

The expansion in global cotton mill use this season may be constrained to less than 2 per cent by the limited available supplies and high prices. Cotton use in China in particular is expected to remain stable at 9.9 mt due to difficulties in sourcing cotton, both domestic and imported. The Chinese Government is said to have sold over one million tonnes from its national reserve between August and October, reducing its stocks to probably less than 500,000 tonnes. Cotton spinning in other importing Asian countries is also expected to be constrained by low available supplies and high prices. However, cotton mill use in India could continue to increase by 8 per cent to 4.6, states ICAC.

The ICAC Price Model forecasts a 2010-11 season-average Cotlook A Index of 92 USC per pound, 18 per cent higher than last season and the highest since 1994-95.

World Cotton Supply and Distribution (Million tonnes)

	2009-10	2010-11
Production	21.8	25.3
Consumption	24.6	25.0
Exports	7.8	8.4
Ending Stock	8.9	9.3

(Source : ICAC Monthly Report - November 2010)

2009-10 Cotton Season - A Brief Review

(Continued from Issue No. 33)

Balance Sheet

The cotton Balance Sheet for 2008-09 and 2009-10, as drawn up by the Cotton Advisory Board at its meeting held on 27th August 2010 is given below:

	(In lakh bales)	
	2008-09	2009-10
Opening Stock	35.50	71.50
Production	290.00	295.00
Import	10.00	7.00
Total Supply	335.50	373.50
Mill Consumption	190.00	207.00
Consumption by SSUs	20.00	23.00
Non-Mill Use	20.00	20.00
Export	35.00	83.00
Total Demand	264.00	333.00
Closing Stock	71.50	40.50

The closing stock was lower than the opening stock by as much as 71.50 lakh bales in 2009-10. This has been one of the factors that fuelled price rise of cotton during 2009-10.

Prices

Cotton production in 2009-10 was quite good at 295 lakh bales. Nevertheless, cotton prices remained high, substantially surpassing even the high prices that prevailed in 2008-09 consequent on the steep hike in support prices. The data on monthly average prices during 2009-10 and the previous year in respect of some representative varieties are given below:

Month	Av. Spot Rates (Rs/Candy)			
	J-34	H-4	S-6	DCH-32
October '09	21,500 (22,500)	- (23,100)	23,300 (23,300)	- (31,900)
November '09	23,500 (20,400)	23,800 (21,900)	25,000 (22,200)	41,000 (30,600)
December '09	24,900 (20,400)	25,700 (21,600)	26,800 (21,800)	42,000 (29,000)
January '10	25,600 (21,000)	25,600 (21,000)	26,700 (21,500)	40,300 (28,200)
February '10	24,900 (20,100)	25,400 (20,100)	26,500 (20,600)	39,700 (26,800)
March '10	26,100 (20,600)	26,700 (20,100)	27,900 (20,700)	41,900 (26,500)

April '10	27,000 (22,400)	27,600 (21,100)	28,300 (22,400)	42,100 (32,100)
May '10	28,100 (23,100)	27,700 (21,800)	28,800 (23,600)	42,700 (32,200)
June '10	28,700 (22,900)	28,400 (21,800)	29,400 (23,200)	41,800 (32,000)
July '10	28,800 (23,100)	28,200 (22,500)	29,400 (23,800)	41,100 (33,000)
August '10	30,700 (23,000)	30,300 (22,400)	31,800 (23,400)	42,200 (33,100)
September '10	34,500 (21,800)	36,000 (21,800)	37,100 (22,500)	44,500 (32,900)

Note : Figures in brackets indicate last year's prices

It may be observed that prices of all varieties remained higher almost through during 2009-10 compared to the previous year. The increases were also quite substantial. There was a particularly steep increase in September 2010 compared to August. This was due to the delay in the market arrivals of the new crop which was caught in unexpected late rains in some tracts resulting in late maturity and ball bursting. This caused a temporary supply constraint of ready cotton. On the other hand, demand from mills was quite good and consistent. Anticipating further rise in prices, mills had been gradually adding to the raw material stock to meet the short term requirement. Prices, therefore, expectedly reacted.

Another major reason for the price rise was the steady uptrend in world cotton prices. With the world textile industry coming out of the negative impact of the global economic crisis, its cotton requirement was on the rise whereas there was a mismatch between the demand and supply of world cotton. While the demand was up, the supply was down, triggering price rise. The Cotlook A Index had thus been steadily moving up and it crossed 115 US cents per pound during the third week of September compared to only 80 cents per pound in February. This uptrend in world cotton prices expectedly exerted bullish influence of domestic cotton prices.

The comparative seasonal average prices in 2008-09 and 2009-10 are given below:

Variety	Seasonal Avg. Spot Rate (Rs/Candy)		
	2008-09	2009-10	Difference
J-34	21,800	27,000	5,200
H-4	21,600	27,800	6,200
S-6	22,400	28,400	6,000
DCH-32	30,700	41,800	11,100

The increase in average prices ranged from Rs.5,200 to Rs.6,200 per candy in case of medium and long staple cottons while it was as high as Rs,11,100 per candy in the case of the extralong staple cotton, DCH-32.

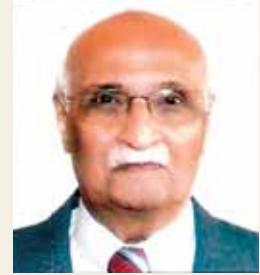
After effecting a steep hike during 2008-09, Government retained the minimum support prices at the same level during 2009-10 as in 2008-09. The support prices fixed for some popular varieties are given below:

Variety	Support Price for Kapas (Rs./qtl)
F414/H-777/J-34 (Rajasthan)	2500
F414/H-777/J-34 (Punjab)	2800
H-4/H-6/MECH/RCH-2	2850
Shankar-6/10	2850
Bunny/Brahma	3000
MCU-5/Surabhi	3200
DCH-32	3400

(Concluded)

CAI Lost its Former Director

The Association deeply mourns the sad demise of Shri Kantilal V. Shah of M/s. Gill & Co. P. Ltd., on 20th November 2010.



Late Shri Kantilal V. Shah was a Director of the Association from 1996-97 to 1998-99. He was closely associated with the Cotton Trade and took keen interest in the activities of the Association.

We convey our sympathies and condolences to all the members of the bereaved family. May his soul rest in eternal peace! May Lord Almighty help his family to bear this grievous loss!

"Sneh Sammelan" Organised At Cotton Exchange Building, Cotton Green

In keeping with its rich tradition, Cotton Association of India, jointly with Bombay Cotton Merchants' & Muccadums Association, organised a "Sneh Sammelan", a get-together to celebrate Diwali and New Year at Cotton Exchange Building, Cotton Green on 10th November 2010. It was well attended by large number of members and their families.



President, Shri Dhiren N. Sheth performing Pooja at the Sneh Sammelan

Shri Dhiren N. Sheth, President, CAI alongwith Shri Nayan C. Mirani, Vice-President, CAI and Shri Sanjay V. Udeshi, Addl. Vice-President, CAI welcomed the members present. They alongwith Shri K.F. Jhunjhunwala, Shri Suresh Kotak and Shri M.S. Jhunjhunwala addressed the members and stated that cotton industry is going through rough



Shri Dhiren N. Sheth addressing the gathering



Members present at the get-together

phase and expressed hope that the current season will bring all round prosperity for the cotton trade and benefit all the members.

SNIPPETS

The Textile Commissioner has cleared shipments of 52.46 lakh bales of cotton by giving export authorisation registration certificates, says a report. It appears that about 48 lakh bales of these would be shipped to four countries, viz. China, Bangladesh, Pakistan and Indonesia.



In its latest review, the Reserve Bank of India has raised the repo rate (the rate at which it lends to banks) by 0.5 percentage points to 6.25 percent. It has also raised the reverse repo rate (the rate at which it takes deposits from banks) by 0.25 percentage points to 5.25 percent. This step is said to have been taken as a measure of taming inflation.



Merchandise exports from the country are reported to have posted their fastest rise in two years during September, clocking a rise of 23 per cent to touch \$ 18.02 billion.

However, the growth in imports appears to have outpaced that in exports by registering a growth of 26.1 per cent to touch \$ 27.14 billion in September. During first six months from April to September of fiscal 2010-11, exports reportedly aggregated to \$ 103.30 billion, a growth of 27.6 per cent compared to last year. On the other hand, imports during the above six month period added upto \$ 166.5 billion, resulting in a massive trade gap of \$ 63.2 billion, as per reports.



The six infrastructure industries reportedly grew by just 2.5 percent in September, the slowest pace of growth since the last 18 months. The six industries consist of crude oil, petroleum refinery products, coal, electricity, cement and finished steel and account for a more than quarter of industrial production.



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					
						November 2010					
						13 th	15 th	16 th	17 th	18 th	19 th
03.	ICS-102	22mm	V-797	4.5-5.9	19	H	26000	26000		26000	26000
04.	ICS-103	23mm	Jayadhar	4.0-5	19		31000	31000		32000	32000
05.	ICS-104	24mm	Y-1	4.0-5.5	20	O	39500	39500		40000	40000
2010-11 CROP											
01.	ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0	15	L	30000	30500	M A	31400	31800
02.	ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0	15		30500	31000	R K	31800	32200
06.	ICS-202	25mm	J-34	3.5-4.9	23	I	40600	41600	E	41600	41600
07.	ICS-105	25mm	NHH-44	3.5-4.9	22		41300	41800	T	41800	41800
08.	ICS-105	27mm	LRA-5166	3.5-4.9	24		40500	41600		42000	42200
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	D	41500	42500	C L	42700	43000
10.	ICS-105	29mm	S-6	3.5-4.9	26		42500	43500	O	43500	44000
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	A	43000	43500	S E	43500	44000
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	Y	46000	46500	D	46500	46500
13.	ICS-107	35mm	DCH-32	2.8-3.6	31		52500	52500		52500	52500