

Weekly
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World Cotton Production to Remain Above Consumption This Season - ICAC

In its Press Release of January 2, 2013, the International Cotton Advisory Committee (ICAC) states that in most seasons, the range between the highest and the lowest quotes for the Cotlook A Index is 34 per cent of the average. However, during the first five months of 2012-13, the spread between the highest and lowest quotes for the A Index has been only 9 per cent of the average of 83 Cents per Pound. During the current season, adds the ICAC, the ratio of world ending stocks to use is rising to an estimated 0.70, the highest since the end of World War II. Accordingly, prices might be expected to be record low. However, the Cotlook A Index has averaged 83 Cents per Pound so far this season, well above the long-term average of 69 Cents.

According to ICAC, world cotton production is dropping by 1.5 million tonnes (mt) to 26 mt and consumption is rising by 760,000 tonnes to 23.5 mt this season but production remains 10 per cent above consumption.

Purchases of approximately 9 mt of cotton for the state reserve by the Government of China over the last two seasons are stated to explain why prices are not more volatile, why prices are not falling further, and why production is not declining enough to reduce world ending stocks. Chinese purchases for the state reserve is said to have begun in 2011-12 and would continue through March 2013. More than 10 mt, it is stated could be in the reserve by that time. With 25 per cent of global cotton supplies being held away from commercial channels, prices

have not dropped further, but buyers, knowing that the reserve exists and could be liquidated, are reluctant to pay more. World production is higher than it would be in the absence of the price-support activity. Thus, the main source of uncertainty in the cotton market today is the future of Chinese policy toward the reserve, including how reserve cottons will be handled. World cotton Supply and Distribution, as projected by the ICAC is given below.

	(in mt)		
	2011-12	2012-13	2013-14
Production	27.439	25.979	23.07
Consumption	22.783	23.539	24.25
Imports	9.708	7.983	8.01
Exports	9.934	7.983	8.01
Ending Stocks	14.044	16.484	15.31



CAI President Suggests Roadmap for Future Development and Strengthening of Cotton Sector

(Continued from 40th Issue)

- Robust dispute redressal system.

Apart from the above, some other key areas like contract sanctity and efficient and effective redressal system also need focussed attention. Towards this end, the Association has devised a comprehensive plan to strengthen its dispute redressal system which got tested rigorously by a large number of disputes referred to it for adjudication last year. The Association is a strong believer in equitable cotton trading practices and contract sanctity to which it accords the higher priority. To make it more efficient and effective, it has incorporated additional checks and balances such as introduction of a caution list to advise its members about non-fulfilment of the CAI awards.

- CAI's Motto is to serve cotton better.

The President stressed that the Association has been ceaselessly rendering yeoman service to the cotton trade and textile industry since its inception in 1921. Over the years, it has built enormous strength, added new services like Certificates of Origin, cotton training programmes, etc. and with its wide network, it has positioned as an apex all India cotton trade body. Its membership covers the entire spectrum of various segments of the cotton economy. The focus is in building on these enormous strength and providing more efficient and effective services to the cotton fraternity consistently. The Association also intends to set up full fledged regional centres across the country.

Digressing, the President, striking a personal note, recalled that when the honour of being one of the two youngest Presidents of this august body was bestowed on him, he had a dream of giving back something to the cotton trade which has been a source of livelihood for him and his family. Some of the wishes he entertained were -

- Setting up a cotton school of international standard to impart cotton education in India in a cost effective manner for enhancing the careers of every one working in cotton sector and to

increase their skills and expertise, enabling them to handle their business better.

- Setting up a cotton museum to showcase the rich and unique heritage of the cotton trade and textile industry of the country.
- To initiate a cotton promotion programme in India on the lines of those in USA, Australia and several other countries, for enhancing the demand for cotton and to promote Indian cotton as a brand.
- To make test results of the Association a seal of approval for all concerned.
- Keep the trade abreast and updated with the latest data.
- To increase the membership base of the Association.
- To undertake export promotion/import orientation tours.
- To streamline the process of fixing spot rates by providing additional checks and balances.
- To revitalise the process of preparing grade standard boxes at the Association and to popularise the same.
- To revamp the Bye-laws of the Association to make the same more simple and in line with the current practices; and the last but not the least, to provide a vibrant futures market in cotton.

The President stated that he was happy that progress has been made on several of its long term projects, as can be seen from the following:

- Blue print of cotton school is almost ready. The Association has already gained experience for setting up of such a cotton school through its "Learn with CAI" series which was launched as a precursor.
- A pictorial museum known as the "Kalbadevi Corner" is already in place and the second phase of displaying equipments/photographs to showcase the evolution of cotton trade and textile industry is about to be initiated shortly.

- The Association has already commenced making a documentary on 'King Cotton' and it is in advanced stage of launching the pilot project of its school contact programme.
- The Association has already set up Cotton Testing and Research Laboratories in four States and others are in the pipeline.
- In order to keep the trade updated, the Association's Statistics Committee meets on monthly basis to arrive at estimate of the crop every month and such estimates are disseminated to the trade and media. Further, the Association is in the process of devising suitable model for collection of credible data on cotton arrivals on a consistent basis.
- For streamlining the process for fixing spot rates, proper guidelines have been fixed and review systems have been strengthened to ensure consistency and reliability. The schedule of descriptions of Indian cotton has been updated by incorporating the geographical and other criteria to make the same more relevant and in tune with the current marketing practices.
- The President stated that the Joint Standards Committee is working tirelessly to prepare adequate number of grade standard boxes to provide the same to the international cotton institutes for the purpose of popularising the same.
- The President added that the Association also undertook the process of revamping the Bye-laws. They will, however, take some more time for completion. Similarly, although the Association has not yet been able to export promotion/import orientation tours, it will soon commence undertaking such tours on a regular basis.
- The President informed the participants that the Association is contemplating to get into an active dialogue with a number of commodity exchanges so as to provide a vibrant futures trading platform to its members. He added that there are also several other areas where CAI has taken initiatives for the betterment of cotton trade which will need more time to bear fruits.
- The President stressed that the biggest achievement of CAI during the last four years has been the very close bond that the Association

has developed with the Government authorities, particularly the Ministries of Agriculture and Cooperation and Commerce and Industry. He mentioned that he and his colleagues have undertaken more than 70 day-trips to Delhi during the last couple of years to find solutions to the burning issues confronting the cotton sector.

The President gratefully acknowledged that all this has become possible due to the team work of the entire Board of Directors and Committee members and stated that he finds it hard to thank them adequately for their unstinted support to the CAI in general and to him in particular.

Recalling the bomb scare faced by the Association recently when it was made to evacuate its members and staff, he informed the members that the Police Department has suggested several security measures which need to be implemented urgently to strengthen the security and safety of the lives and properties of the members and their staff. He mentioned that the Association was planning to install searching devices and recruiting security staff to search people entering and their belongings. They will be allowed to enter only after proper scrutiny and verification of the identity cards to be issued by the Association to its members and their staff. He sought the cooperation of all members in this regard.

(Concluded)

SNIPPET

The Agriculture Minister of Andhra Pradesh is reported to have stated that production of cotton in the state during the season 2012-13 is expected to be 70 lakh bales, as against 56 lakh bales in 2011-12. He is quoted to have assured the farmers that the Cotton Corporation of India (CCI) would buy the cotton even if the quality was damaged in the November rains, and that there was no need for any panic and distress sales. The General Manager of CCI is said to have clarified that it will procure 50 per cent of the crop and that farmers need not worry.

UPCOUNTRY SPOT RATES (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) 2012-13 Crop December 2012 - January 2013					
Sr. No.	Growth Standard	Grade /GPT	Grade	Staple	Micronaire	Strength	31st	1st	2nd	3rd	4th	5th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	15	9589 (34100)	9589 (34100)	9673 (34400)	9673 (34400)	9729 (34600)	9673 (34400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 – 7.0	15	9729 (34600)	9729 (34600)	9814 (34900)	9814 (34900)	9870 (35100)	9814 (34900)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	20	8014 (28500)	8014 (28500)	8014 (28500)	7874 (28000)	7789 (27700)	7705 (27400)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	21	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)
5	M/M	ICS-104	Fine	24mm	4.0 – 5.5	23	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
6	P/H/R	ICS-202	Fine	26mm	3.5 – 4.9	26	9195 (32700)	9195 (32700)	9223 (32800)	9167 (32600)	9167 (32600)	9111 (32400)
7	M/M/A	ICS-105	Fine	26mm	3.0 – 3.4	25	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
8	M/M/A	ICS-105	Fine	26mm	3.5 – 4.9	25	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
9	P/H/R	ICS-105	Fine	27mm	3.5 – 4.9	26	9251 (32900)	9251 (32900)	9308 (33100)	9280 (33000)	9251 (32900)	9223 (32800)
10	M/M/A	ICS-105	Fine	27mm	3.0 – 3.4	26	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.
11	M/M/A	ICS-105	Fine	27mm	3.5 – 4.9	26	N.Q.	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)	9448 (33600)	9476 (33700)	9420 (33500)	9420 (33500)	9392 (33400)
13	M/M/A	ICS-105	Fine	28mm	3.5 – 4.9	27	9280 (33000)	9280 (33000)	9280 (33000)	9280 (33000)	9280 (33000)	9251 (32900)
14	GUJ	ICS-105	Fine	28mm	3.5 – 4.9	27	9420 (33500)	9420 (33500)	9420 (33500)	9392 (33400)	9364 (33300)	9336 (33200)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 – 4.9	28	9392 (33400)	9392 (33400)	9392 (33400)	9392 (33400)	9392 (33400)	9336 (33200)
16	GUJ	ICS-105	Fine	29mm	3.5 – 4.9	28	9533 (33900)	9533 (33900)	9533 (33900)	9505 (33800)	9476 (33700)	9448 (33600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 – 4.9	29	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)	9448 (33600)	9392 (33400)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 – 4.9	30	9533 (33900)	9533 (33900)	9533 (33900)	9533 (33900)	9533 (33900)	9476 (33700)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 – 4.9	31	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9673 (34400)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	12710 (45200)	12710 (45200)	12710 (45200)	12710 (45200)	12710 (45200)	12654 (45000)

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