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CAI President Recommends Promotion of Indian Cotton Globally

The Association held its 89th Annual General Meeting in Mumbai on 30th December 2011 with its President Shri Dhiren N. Sheth in the Chair.

In his address on the occasion, Shri Dhiren N. Sheth, President of CAI touched on various aspects and issues that have a bearing on cotton and cotton trade which included Indian economy, domestic cotton scenario, cotton production estimates for 2010-11 and 2011-12, world cotton scenario, problems facing Indian cotton economy.

The President stated that there was expectation that having come out of the impact of the global economic crisis of 2008-09 and achieved reasonable growth in 2010-11, our economy would achieve an impressive growth during 2011-12. But recent indications are that the growth would be moderate this year. India's economy grew by 7.7% in the April-June 2011 period, the slowest in six quarters and one can expect the full year's growth to be well below 7.5%, which is a far cry from the 8.6% growth witnessed in 2010-11. This is despite the Government's FY 12 budget estimate of 9%, which seems unlikely in view of the current

state of the economy. He added that inflation has been rising for months now and the unabated price rise has a vicious effect on the economy. It pushes up the interest rates, which affect the cost of production and reduce liquidity in the economy, which in turn impact the industry, especially the manufacturing sector.

Commenting on the cotton scenario, the CAI President pointed out that the seasonal conditions during 2010-11 were, by and large, favourable for the growth and development of cotton leading to good productivity which enthused the farmers to boost the area under cotton. The area rose by 8 lakh hectares and reached 111.42 lakh hectares as compared to the previous year. Since cotton fetched higher net returns compared to the competing crops, farmers brought additional area under cotton by switching over to cotton from other competing crops to some extent. Besides higher yields, farmers continued to reap benefits from the reduction in production cost owing to the advantage derived from the cultivation of cotton with Bollgard II technology which along with Bollgard I covered about 90 percent of the total area under cotton.



President, Shri Dhiren N. Sheth addressing the Members at the AGM



A cross section of Members at the AGM

Shri Sheth stated that the prospects of cotton crop in the cotton season 2011-12 augur well and the cotton production this season is expected to scale new heights. The cotton production during 2011-12 cotton season is expected to be not less than 340 lakh bales while the cotton consumption is likely to be below 250 lakh bales thus leaving a huge carryover stock. On world cotton scenario, the projected slowdown in global economic growth in 2011 and 2012 will affect consumption of textile products, and therefore demand for cotton fiber. As per ICAC projection, India's exports are expected to remain stable at 1.1 million tons, Shri Sheth added.

The CAI President touched upon the problems facing Indian cotton economy and highlighted that low productivity and mismatch in demand and supply of short staple and extra long staple cottons are some of the areas where the country needs to focus and improve. He added that India has the distinction of having the largest acreage (about 33% of the world cotton area) under cotton and cotton is grown under diverse agro-climatic conditions spanning across ten States of India. The average national productivity showed a remarkable improvement from 302 kg/ha in the year 2002-03 to about 500 kg/ha in 2011-12 due to stupendous work done by the Central and State Governments, CCI and NGOs under Technology Mission on Cotton through transfer of technology, nutrition management strategies and integrated pest management approaches and the advent of Bt technology. However, productivity of cotton is much below the world average yield mainly due to the lack of irrigation facilities.

Since there is not much scope for expansion of area under cotton in future nor it is desirable at the cost of reduction in acreage under food crops, the only avenue to increase availability of cotton in the Country is to increase productivity. He further added that there is immense scope for yield enhancement in India, and this increase will have the greatest impact on global supply.

The President mentioned that there is a big mismatch between demand and supply of Extra Long Staple (ELS) cotton. The annual production of ELS cotton in India is around 2 lakh bales against the demand of around 9.0 lakh bales, substantial imports are required to bridge the gap. With the international prices remaining high and market resistance to increase the super fine yarn price, conversion of ELS cotton to high count yarn is likely to become non-remunerative. Hence, urgent efforts are called for to increase the production and productivity of Indian

ELS Cotton. Better developmental efforts are thus called for to extend the ELS cotton area in the country while urgent research efforts to increase yield and quality will go a long way in making the ELS production more remunerative to the farmers. Meanwhile, the area under cotton cultivation for short staple cotton has suffered erosion due to the incursion made by GM Cottons. The production of this type of cotton has come down and it is necessary to give due attention in this area so that we do not face a shortage situation for short staple cotton.

Shri Sheth exhorted the need for a free and consistent trade policy on cotton export front. He added that Indian farmers need highest appreciation for putting in best efforts, time and energy to make India reach this coveted position. The only way to reward our cotton farmers is to allow them to receive a good price for their produce. Frequent policy changes on the cotton export front not only cripple export performance of the Country and lead to erosion of confidence of the International market for India as a regular supplier but also deprive cotton farmers from realizing a value for their produce which is equal to their counter parts in USA, China, Uzbekistan and several African Countries. Policy distortions on the cotton exports front added significantly to the challenges faced by the cotton industry of India recently. He felt that free and consistent trade policy on the cotton export front is essential for the overall growth of the entire cotton and textile sector. He asserted the Association continued its efforts and held a series of meetings with the concerned authorities to sensitise the Government on the current woes of the cotton community.

In conclusion, Shri Dhiren N. Sheth stated that during his tenure as President of the Association he has tried to ensure that the Association strengthens its position in dealing with the development and cotton trade. He added that the Association through its ambit of activities aims to improve the trade's competitiveness and brand image in the world markets. He expressed confident that all the members will extend their full support and co-operation to the management of the Association in accomplishing the unfinished projects of the Association viz. Setting up of Cotton School, Cotton Promotion Programmes, Scheme Relating to Quality Control System, Streamlining the Dispute Redressal System at CAI, Rejuvenation of Committees, Expansion of Network of Cotton Testing Laboratories, Export Promotion/Import Orientation Tours.

European Financial Woes Likely to Cut Apparel Exports by 15%

The Eurozone crisis has hit apparel exports the most. Though the United States is showing a marginal recovery in recent times, orders from Europe have gone down significantly. Orders from Italy and Spain have almost become nil and could reduce India's total apparel exports by 15%.

Indian textile exports hover around \$25 billion. Of this, apparel alone contributes \$13 billion and the rest \$12 billion comprises yarn, fabric and made-ups. Fabric export is expected to be down by 5% in the current fiscal.

Europe, the largest buyer of Indian apparels, is in doldrums. Italy and Spain are buying much less. US is a bit better than Europe and there has been some recovery in demand. We are expecting a 15% drop in apparel exports, said Chairman of Apparel Export Promotion Council (AEPC).

Orders for men's category of garments, which generally comprise the bulk of orders, have come down significantly. There are orders for women products, which is however not huge in number, a report added. A number of exporters are now

strengthening their presence in the domestic market as demand slows down in the west.

While China has long been a dominant player in the global textiles market, Bangladesh and Vietnam have in recent months been outdoing India in value-added products, although the Indian textile industry is better integrated with backward linkages. A lower labour cost has been their strength. China is facing the risk of currency appreciation and a rising production cost despite manageable domestic inflation rates.

Bangladesh is a low-cost market and the US and Europe are shifting their orders there. Tirupur, which exports knitwear worth Rs 12,000 crore, is expecting a drop by 15% this year.

The cotton yarn market has not been affected due to the slowdown in the US and the UK as the industry depends on exports to Bangladesh, China, Hong Kong and Korea. Fabric exports, however, have seen a drop of 5%. Apart from the US and Europe, India exports fabric to Latin American, Southeast Asia and south Asian markets, a reliable source added.

(Source: *Economic Times* - 27.12.2011)

China Absorbs Large Portion of Global Crop

Global cotton production is forecast 8% higher in 2011/12, compared with 2010/11, at 26.8 million tons, yet consumption could decline by 2% to 23.9 million tons. As a result of the projected surplus of 2.9 million tons, global cotton stocks could climb to 11.9 million tons by the end of 2011/12, according to the International Cotton Advisory Committee (ICAC). This build up follows two seasons of relatively tight global stocks.

The lack of demand for cotton, combined with ample stocks globally, is placing downward pressure on cotton prices.

About 40% of the gain in global stocks this season could take place in China, due to the rebuilding of its national reserve. Between Oct. 8 and Dec. 30, 2011, a total of 2.1 million tons of domestic cotton were purchased for the China national reserve. Daily purchases are continuing. There is no set limit on the amount of domestic cotton that the national reserve can purchase this season. In addition, it is reported that about 1 million tons of non-Chinese cotton has been bought for the reserve. This cotton will be shipped to China over the next few months.

The national reserve, which was almost exhausted by the end of 2010/11, could grow by at least 3 million tons, or 11% of 2011/12 global production. It is possible that some of the reserve cotton will be sold later in the season. Outside of China, cotton stocks are expected to grow by 26% to 8.7 million tons in 2011/12, the highest amount in four years.

(Source: *Cotton International* - 05.01.2012)

China Seeks Indian Cotton as Rupee Depreciates

Export demand from China has caused cotton prices to rise in India, leading industry professionals to fear that the country's supply will run out sooner than expected.

The rupee has experienced devaluation recently, causing Indian cotton prices to drop to 91-92 cents a pound, slightly lower than prices in Australia and Brazil which are about 110 cents a pound and 105 cents in Africa and the United States, according to the publication.

SNIPPETS

Ministry of Agriculture is implementing the Rural Godown Scheme for creation of scientific storage capacity with allied facilities in rural areas to meet out various requirements of farmers for storing farm produce, processed farm produce, agricultural inputs, including onion, etc. As on 31st October, 2011, 25682 godowns having a capacity of 294.83 lakhs tones have been sanctioned by National Bank for Agriculture and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC) all over the country. The scheme is being implemented in the XIth Plan Period with a target of 90 lakh tones. The scheme is demand driven and back-ended subsidy is made available for construction of

godowns to all categories of farmers, agricultural graduates, cooperatives, individual companies and corporations and women farmers.

(Source: Ministry of Agriculture - 20.12.2011)



Indian Textiles industry was growing at 3-4 percent in the last 6 decades. Under 11th Five Year Plan (FYP) it was projected to accelerate to a growth rate of 16 percent in value and should reach the value of USD 115 billion (exports USD 55 billion and domestic market USD 60 billion) by 2012. Exports are likely to reach USD 32 billion in 2011-12 and domestic market USD 55 billion.



UPCOUNTRY SPOT RATES

(Rs./Qtl)

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) 2010-11 CROP
December 2011 - January 2012

Sr. No.	Grade Standard	Staple	Micronaire	Strength/GPT	Trade Name	31 st	2 nd	3 rd	4 th	5 th	6 th
03.	ICS-102	22mm	4.5-5.9	19	V-797	6524 (23200)	6524 (23200)	6608 (23500)	6749 (24000)	6749 (24000)	6749 (24000)
04.	ICS-103	23mm	4.0-5.5	19	Jayadhar	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
05.	ICS-104	24mm	4.0-5.5	20	Y-1	N.A.	N.A.	N.A.	-	-	-
07.	ICS-105	25mm	3.5-4.9	22	NHH-44	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
08.	ICS-105	27mm	3.5-4.9	24	LRA-5166	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2011-12 CROP											
01.	ICS-101	Below 22mm	5.0-7.0	15	Bengal Desi (RG)	9814 (34900)	9898 (35200)	9954 (35400)	10123 (36000)	10067 (35800)	10067 (35800)
02.	ICS-201	Below 22mm	5.0-7.0	15	Bengal Desi (SG)	10067 (35800)	10151 (36100)	10208 (36300)	10404 (37000)	10348 (36800)	10348 (36800)
05.	ICS-104	24mm	4.0-5.5	20	Y-1	-	-	-	8998 (32000)	8858 (31500)	8858 (31500)
06.	ICS-202	25mm	3.5-4.9	23	J-34	8745 (31100)	8802 (31300)	8970 (31900)	9111 (32400)	9055 (32200)	9167 (32600)
09.	ICS-105	28mm	3.5-4.9	25	H-4/ MECH-1	9280 (33000)	9420 (33500)	9561 (34000)	9842 (35000)	9701 (34500)	9617 (34200)
10.	ICS-105	29mm	3.5-4.9	26	Shankar-6	9870 (35100)	9926 (35300)	10039 (35700)	10179 (36200)	10123 (36000)	10123 (36000)
11.	ICS-105	31mm	3.5-4.9	27	Bunny/ Brahma	9842 (35000)	9983 (35500)	10123 (36000)	10264 (36500)	10123 (36000)	10123 (36000)
12.	ICS-106	33mm	3.3-4.5	28	MCU-5/ Surabhi	10376 (36900)	10376 (36900)	10432 (37100)	10573 (37600)	10432 (37100)	10432 (37100)
13.	ICS-107	35mm	2.8-3.6	31	DCH-32	11670 (41500)	11951 (42500)	11951 (42500)	12232 (43500)	12092 (43000)	12092 (43000)

Note: Figures in bracket indicate prices in Rs./candy * - Nominal