

Some Facts About Organic Cotton

Organic cotton has been gaining popularity in recent years especially with the growing environmental consciousness in the developed industrial economies. India has been developing organic cotton for quite a number of years and the rising demand from some western countries provided a stimulus for its expansion in recent years. In fact, India currently leads the world in the production of organic cotton. Some of the facts about organic cotton given below may therefore be of interest.

- Organic cotton is grown using methods and materials that have a low impact on the environment. Organic production systems replenish and maintain soil fertility, reduce the use of toxic and persistent pesticides and chemical fertilisers and build biologically diverse agriculture. Third party certifying organisations verify that organic producers use only methods and materials allowed in organic production. Federal regulations in US prohibit the use of genetically engineered seed for organic farming.
- Organic cotton grown by farmers worldwide increased 152 per cent during the 2007-08 crop year. As a result, organic cotton production reached 1,45,872 tonnes equivalent to about 8.58 lakh bales and grown on 1,61,000 hectares in 22 countries. Approximately 60 per cent of the total represents expansion of known projects while the remaining 40 per cent represents data from new projects getting certified. According to the report published by Organic Exchange, the production increase was driven by the heightened demand for organic cotton from small-to-large sized retailers around the world.

- Turkey was the leading producer of organic cotton for a number of years but India took over from Turkey after the farmer's production recorded a 292 per cent increase to reach 73,702 tonnes or about 4.33 lakh bales, that is over half the world production. Area planted to organic cotton has increased in US from 8,510 acres in 2007 to 9,279 acres in 2008.
- Apparel companies are developing programmes that either use 100 per cent organically grown cotton or blend small percentages of organic cotton with conventional cotton in their products.
- As a result of consumer interest, organic cotton fibre is used in everything from personal care items (sanitary products, makeup removal pads, cotton puffs and ear swabs) to home furnishings (towels, bathrobes, sheets, blankets, bedding) children's products (toys, diapers), clothes of all kinds and styles and even stationery and note cards.

Cotton Arrivals

Cotton arrivals upto January 2, touched 126.5 lakh bales, almost the same arrivals by the same date last year, according to the data available from the Cotton Corporationof India. Daily arrivals are said to have increased to 2.00 lakh bales. Arrivals were particularly higher in Gujarat at 45 lakh bales, 60 per cent higher compared to last season. On the other hand, arrivals are stated to have been lower than last year in the Northern and Southern States.

Strident Rise in Cotton Prices During December

Defying market fundamentals as presented by the Cotton Advisory Board (CAB), cotton prices rose substantially during December especially during the last week of the month. Prices had already displayed an uptrend in November and this persisted in December. The monthly average spot rates since the beginning of the season are given in the following table:

Variety	Average Spot Rate (Rs./Candy)									
	Oct '09	Nov '09	Dec '09	Increase since October						
J-34	21,500	23,500	24,900	3,400						
H-4	-	23,800	25,700	1,900						
S-6	23,300	25,000	26,800	3,500						
Bunny	23,200	24,500	26,800	3,600						
DCH-32	-	41,000	42,000	1,000						

As may be observed, the increase per candy since the commencement of the season in October, has been as much as Rs. 3,600 in the case of Bunny, Rs. 3,500 in the case of S-6 and Rs. 3,400 in the case of J-34. The rise was comparatively moderate at Rs. 1,000 in the case of the extralong staple cotton, DCH-32. Going by the estimates of the CAB, the availability of cotton in the country should be deemed more than adequate to meet even a higher level of mill consumption and reasonable quantity of exports. Alongwith a carryover of 71.5 lakh bales and estimated production of 295 lakh bales, and taking into account the likely imports of 7 lakh bales, slightly lower than last year's 10 lakh bales, the total supply is estimated at 373.50 lakh bales. As against this, CAB has visualised the offtake at 305 lakh bales comprising of a slightly higher mill consumption of 230 lakh bales including that by small scale units, against 210 lakh bales last year and higher exports of 55 lakh bales compared to 35 lakh bales last year. This would leave a carryover stock of 68.5 lakh bales, quite adequate to meet the requirement before the large scale availability of next year's crop.

Such a scenario should have been expected to soften the prices somewhat and not fuel them to rise further. However, the reality has been otherwise. The factors that may have led to this situation can only be surmised. One major reason seems to be that there has been a spurt in demand from mills and exporters. With the pick-up in economic growth, the consumer demand for textiles has gone up. There has also been improvement in demand from overseas for yarn and cloth. The mills have therefore entered the cotton market afresh and are keen to replenish the stocks. They are also said to have been offering better prices since they have been able to realise better prices for yarn. Added to this stimulus has been the speculative buying in anticipation of higher exports.

There is also a school of thought which claims that the crop is not as good as estimated by the Cotton Advisory Board and may be about 8-10 lakh bales lower. It is pointed out that the market arrivals have been relatively lower this year compared to last year, especially in Andhra Pradesh and some other States in the north and central zones.

A third reason attributed to the price rise is the firm trend in international prices. The Cotlook A Index has gone up appreciably in November and December compared to October. The world cotton supply is reportedly tight and not adequate to cope with the rising demand consequent on the gradual recovery from economic crisis. USA, Brazil and Pakistan have lesser cotton for exports against the rising demand for import of cotton especially from China and other countries. Several importing countries are said to be eyeing India for meeting their cotton requirement.

The average prices of cotton in India have been appreciably higher this year compared to last year as may be seen from the table below:

Variety	Seasonal (OctDec.) Av. Spot Rate (Rs./Candy)									
	2008-09	Difference								
J-34	21,100	23,300	2,200							
H-4	22,200	24,700	2,500							
S-6	22,400	25,000	2,600							
Bunny	23,300	24,800	1,500							
DCH-32	30,500	41,500	11,000							

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UPCOUNTRY SPOT RATES														
													(Rs	.\Candy)
	2008-09 Cr	op					2	009-10 Crop						
Dec	V-797	Jayadhar	BD(RG) A.	BD SG	Y-1	J-34		LRA-5166	H-4/	Shankar-6	Bunny/	MCU-5/	DCH-32	ICC
2009	ICS-102	ICS-103	Commila ICS-101	ICS-201	ICS-104	ICS-202	ICS-105	ICS-105	MECH-1 ICS-105	ICS-105	Brahma ICS-105	Surabhi ICS-106	ICS-107	ICS-101
	22 mm	23 mm	22 mm	22 mm	24 mm	25 mm	25 mm	27 mm	28 mm	29 mm	31 mm	33 mm	35 mm	26 mm
	4.5-5.9	4.0-5.5	5.0-7.0	5.0-7.0	4.0-5.5	3.5-4.9	3.5-4.9 22	3.5-4.9 24	3.5-4.9	3.5-4.9	3.5-4.9 27	3.3-4.5	2.8-3.6 31	3.7-4.3 25
	19	19	15	15	20	23			25	26		28		
1	20000* 20500*	20000* 21000*	25000 25000	26000	21700 22700	24300 24800	N.A. N.A.	24000	25100 25300	26200	26000 26500	27000	43000	25000 25000
2 3	20500*	21000*	25000 25000	26000 26000	22700	24800	N.A. N.A.	24500 24500	25300 25300	26400 26400	26500	27500 27500	43500 43500	25000 25000
4	21000*	21000*	24800	25800	23200	25300	N.A.	24700	25600	26700	26500	27500	43500	25000
5	21200*	21200*	25000	26000	23700	25500	N.A.	25200	26000	27100	26900	27900	43500	25000
7	21200*	21200*	24600	25600	23700	25300	N.A.	25500	26200	27400	27200	27900	43500	25300
8	21200*	21200*	24500	25500	23900	25200	N.A.	25300	26000	27200	27000	27900	43500	25300
9	21200*	21200*	24500	25500	23900	24700	N.A.	24800	25600	26700	26500	27400	43000	25300
10	21200*	21200*	24500	25500	23900	24700	N.A.	24800	25600	26700	26500	27400	43000	25300
11	21200*	21200*	24000	25000	23900	24700	N.A.	24900	25700	27000	26500	27400	43000	25300
12							HOLIDAY							
14	21200*	21200*	24000	25000	23900	24500	N.A.	24900	25700	27000	27000	27400	43000	25300
15	21400*	21200*	24000	25000	24000	24500	N.A.	25000	25900	27100	27200	27700	43000	25500
16	21400*	21200*	23500	24500	24000	24700	N.A.	25000	25900	27000	27200	27700	41000	25500
17	21400*	21200*	23500	24500	24000	24700	N.A.	25000	25900	27000	27200	27700	41000	25500
18	21400*	21200*	23500	24500	24000	24700	N.A.	25000	25900	26900	27200	27700	41000	25500
19	21400*	21200*	23500	24500	24000	24700	N.A.	25000	25900	26900	27200	27700	41000	25500
21	21400*	21200*	23500	24500	24000	24700	N.A.	25000	25700	26700	26900	27400	40500	25400
22	21400*	21200*	23500	24500	24000	24700	N.A.	25000	25500	26500	26800	27400	40500	25400
23	21400*	21200*	23500	24500	24000	24700	N.A.	25000	25300	26300	26600	27400	40500	25200
24	21400*	21200*	23500	24500	24000	24700	N.A. HOLIDAY	25000	25300	26300	26600	27400	40500	25200
25 26	••••	•••••	•••••	•••••	•••••	•••••	HOLIDAY	•••••	•••••	•••••	•••••	•••••	•••••	•••••
28	••••	•••••		•••••	•••••		ARKET C	 I OSED	•••••	•••••	•••••	•••••	•••••	•••••
29	 21400*	21200*	23500	24500	24500	25200	N.A.	25500	26000	27300	27100	27900	40500	25200
30	21400*	21200*	23500	24500	24500	25200	N.A.	25500	26000	27300	27100	27900	40500	25200
31	21400*	21200*	23500	24500	24500	25200	N.A.	25500	26000	27300	27100	27900	40500	25200
Н	21400	21200	25000	26000	24500	25500	-	25500	26200	27400	27200	27900	43500	25500
L	20000	20000	23500	24500	21700	24300	-	24000	25100	26200	26000	27000	40500	25000
A	21100	21100	24100	25100	23800	24900	-	25000	25700	26800	26800	27600	42000	25300
						H = High	hest L = Lowes	t A = Average						

SNIPPETS

According to a report, the Forward Markets Commission (FMC) proposes to ask its parent Ministry of Consumer Affairs to persuade the Cabinet to issue an Ordinance to amend the Forward Contracts (Regulation) Act (F.C.R.A.) of 1952 so as to confer autonomy on it to regulate the commodity futures market, putting it on par with its capital markets counterpart, SEBI. This can then be replaced with a Bill when Parliament meets for the Budget Session, FMC is reported to have stated.

As per reports, rising prices of various commodities have driven up contract values and increased participation in the futures market resulting in cumulative value of trades rising to Rs. 51.74 lakh crore during the current fiscal upto December 15. This represents an increase of 47 per cent over the corresponding period of 2008-09. Latest data by the Forward Markets Commission are also reported to show that agri

commodities' traded value notched up a record 100 per cent rise to Rs. 8.4 lakh crore over the same period because of a below-average monsoon and the relisting of some products in December last year.

After 13 consecutive months of sliding, India's merchandise exports reportedly rose by 18.2 per cent in November to touch \$ 13.2 billion. Exports contribute a fifth to the country's GDP. Imports, on the other hand, are said to have remained negative in growth, declining by 2.6 per cent to \$ 22.88 billion. The trade gap during the month was thus lower at \$ 9.69 billion against \$ 12.32 billion during the same period last year. For the April-November period this year, exports were lower by 22.3 per cent at \$ 104.24 billion compared to a year ago. This was lower than the gap of 26 per cent upto October.

		UPC	OUNTR	Y S	POT I	RATES			(Rs./	(Candy)	
Official quotations for standard descriptions with						SPOT RATES (UPCOUNTRY) 2008-09 CROP					
basic grade and staple in Millimetres based on Upper Half mean Length under By-law 66 (A)(a)(4)						4th	Januai 5th	y 2010 6th	7th	gth	
03. ICS-102	22mm	V-797	4.5-5.9	19	2nd 21400	21400	21400	21400	21400	21200	
04. ICS-103	23mm	Jayadhar	4.0-5.5	19	21200	21200	21200	21200	21200	21200	
2009-10 CROP											
01. ICS-101	Below 22mm	Bengal Deshi(RG)	5.0-7.0	15	23500	23000	23000	23000	23000	22700	
02. ICS-201	Below 22mm	Bengal Deshi(SG)	5.0-7.0	15	24500	24000	24000	24000	24000	23700	
05. ICS-104	24mm	Y-1	4.0-5.5	20	24500	24800	24800	24700	24700	24400	
06. ICS-202	25mm	J-34 (SG)	3.5-4.9	23	25200	25000	25000	25000	25000	24600	
07. ICS-105	25mm	NHH-44	3.5-4.9	22	N.A.	N.A.	N.A.	N.A.	N.A.	N.A	
08. ICS-105	27mm	LRA-5166	3.5-4.9	24	25500	25500	25500	25400	25200	25200	
09. ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	26000	26000	26000	25800	25500	25300	
10. ICS-105	29mm	S-6	3.5-4.9	26	27300	27300	27300	27100	27100	26800	
11. ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	27100	27100	27100	27000	27000	26700	
12. ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	27900	27900	27900	27900	27900	27700	
13. ICS-107	35mm	DCH-32	2.8-3 .6	31	40500	40500	40500	40500	40500	40300	
14. ICS-301	26mm	ICC	3.7-4.3	25	25200	25200	25200	25200	25200	25200	