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# COTTON STATISTICS & NEWS

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## Creating Sustainable Cotton Business

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The earth's risk profile is changing rapidly. It is becoming increasingly vulnerable to humungous industrial activity across geographies where corporate profits come well ahead of the planet and the people.

Three Ps - People, Planet and Profit - constituted what used to be referred to as the 'Triple bottom line' approach. This used to be

the norm until a few years ago; but the world has come some way from this approach of yore. Natural resources are dwindling or becoming increasingly scarce. Manmade pollution has been rising rapidly. Global warming and climate change are now well recognised as major risk to human welfare.

No wonder, policymakers, businesses, NGOs and sundry other environment enthusiasts debate risk reduction strategies which include ideas such as 'Reduce, Recycle and Reuse'.



### GUEST COLUMN

**Shri. G. Chandrashekhar**  
*Global Agribusiness and Commodities  
Market Specialist*

And now, 'Sustainability' is the new buzz word. Everyone talks about sustainability and its critical importance. However, not many in our country are either aware or conscious of sustainability; much less the domestic fibre trade and industry.

### U.N. Sustainable Development Goals

In September 2015, the United Nations replaced Millennium Development Goals (MDG) with Sustainable Development Goals (SDG). SDG seeks to transform the world through 17 goals that are to be achieved by 2030. Broadly, the goals seek to end poverty, protect the planet and ensure prosperity for all.

The 17 goals enunciated by the UN are:

- No poverty;
- Zero hunger;
- Good health and well-being;
- Quality education;
- Gender equality;
- Clean water and sanitation;
- Affordable and clean energy;
- Decent work and economic growth;
- Industry, innovation and infrastructure;
- Reduced inequalities;
- Sustainable cities and communities;
- Responsible consumption and production;
- Climate action;
- Life below water;
- Life on land;
- Peace, justice and strong institutions;
- Partnership for goals.

Across the world, agriculture and agribusiness are in a position to make a strong contribution to advancing a majority of the 17 goals specified. Growth in agriculture can help generate incomes and employment and thereby help reduce, if not eliminate, poverty. As sink for carbon, agriculture helps to protect the planet. Because agriculture, especially in developing economies, is largely smallholder, it can ensure prosperity for large sections of the population. For instance, nearly 80 percent of the farmers in India are smallholders with less than two acres of land.

Indian cotton sector is ideally placed to pursue the development goals or SDG. The sector can contribute to advancing as many as 10 out of the 17 goals. Unfortunately, not many trade and industry leaders in our country have any knowledge about SDG or have any clue how to advance SDGs through their businesses.

To ensure sustainability, we need to design end-to-end solutions for the highly challenged cotton sector. There are long-standing structural problems that stymie sustained growth of this sector. Apart from worsening land constraints, looming water shortage and climate change, issues of low productivity, lack of technological breakthrough in seeds, inefficient supply chains, energy inefficiency, gradually shrinking export surplus, genuine price discovery issues, rampant

speculation and many more daunting challenges have been with us for some time.

Various stakeholders including policymakers, growers, researchers, industry and service providers (finance, logistics) have to come together to work on a holistic approach to ensure sustainable practices in production, processing, trade, distribution and consumption.

## Sustainability

The bigger question is: What is sustainability? The word lends itself to several interpretations and explanations. Instead of seeking to define the word that is imbued with multi-dimensional meaning, it is possible to test or ascertain whether a policy, program, business or investment is sustainable.

For the purpose, the author has developed a test called 'Chandrashekhar's 7-way Sustainability Test' also known as STEEPLE Test. What is this STEEPLE Test? The sustainability of any policy, program, business or investment can be tested or ascertained by employing the following 7-way test.

The STEEPLE Test:

- ◆ Social
- ◆ Technological
- ◆ Economic
- ◆ Environmental
- ◆ Political
- ◆ Legal
- ◆ Ethical

Every policy, program, business or investment must be tested against each one of the aforesaid seven parameters. Is it Socially desirable? Technologically feasible? Economically viable? Environmentally friendly? Politically expedient? Legally tenable? and Ethically right? If the answer to each one of the parameters is 'Yes' or is in the affirmative, it can be reasonably concluded that the policy, program, business or investment will be sustainable.

By no means is the aforesaid test the last word on sustainability; but it provides a good framework to test whether something is sustainable or otherwise. Measuring the impact

on each of the parameters is critical. The author is developing metrics to measure the impact.

In its current status, the Indian cotton sector may not perhaps pass all the seven tests robustly. There are opportunities not only to bring greater transparency, but also build long-term sustainable goals with affirmative outcomes in each of the seven parameters.

In investing the Indian cotton sector with enhanced global competitiveness, industry leaders and policymakers have a great moral responsibility. We have seen in the last many years the demise of many industrial units that stayed in a time warp and failed to rise to the challenge of the times.

All these years, it has been 'business as usual'. This has to change; otherwise, greater changes will sweep the sector and destroy many more businesses and livelihoods.

Technological innovations, what are called 'disruptive technologies', are sweeping the global marketplace. The Indian cotton sector needs to equip itself to face these developments. But sadly, there is little realisation within industry and policymaking circles. As a nation, the sooner we begin to play to our strengths, the better for us all.

The author urges the Indian cotton trade and industry in general and Cotton Association of India in particular to take the lead in researching how to build global competitiveness into the Indian industry and how best to help advance the SDGs. By demonstrating the positive contribution of the cotton sector, it may be possible to influence holistic policies for the overall growth and long-term sustainability of the sector.

*Courtesy: Cotton India 2018 (Domestic)  
(The views expressed in this column are of the author and not that of Cotton Association of India)*

## FEES FOR COTTON TESTING CHARGES AT CAI LABORATORIES

Particulars	Per Sample Testing Fees in Rs.					
	Member			Non Member		
	Testing Fees	GST	Total	Testing Fees	GST	Total
HVI Test	130	23	153	140	25	165
Micronaire Test	70	13	83	75	14	89
Colour Grade on HVI	70	13	83	75	14	89
Gravemetric Trash Test on HVI	70	13	83	75	14	89
Moisture	70	13	83	75	14	89
Grading (Manual Classing)	220	40	260	245	44	289

## VOLUME BASED DISCOUNTS

Particulars	Per Sample Testing Fees in Rs.					
	Member			Non Member		
	Testing Fees	GST	Total	Testing Fees	GST	Total
For 250 samples and above but less than 500 samples	125	23	148	135	24	159
For 500 samples and above but less than 750 samples	120	22	142	130	23	153
For 750 samples and above but less than 1000 samples	115	21	136	125	23	148
For 1000 samples and above but less than 2000 samples	110	20	130	120	22	142
For 2000 samples and above but less than 5000 samples	105	19	124	115	21	136
For 5000 samples and above	100	18	118	110	20	130

The entire fees under the above volume based discount scheme is payable in advance and the volumes under the same can be exhausted during the period of two years.

# Indian Cotton Scenario – 2018-19

Continued from issue no. 41 dated 8th January 2019

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GUEST COLUMN

**Dr. Brijender Mohan Vithal**  
Cotton Expert

In 2017-18, India could not sign as many forward contracts since cotton availability was restricted. This year, traders are upbeat because Indian cotton is the cheapest in the international market and demand from China is looking up. Shri. Ganatra said he expected total exports to China to increase to 30-40 lakh bales this year, up more than threefold from eight-nine lakh bales last year.

Bangladesh and Vietnam are the other buyers that have signed some forward contracts

for Indian cotton. Indian traders export maximum quantities of cotton in November and December since India is the only country where cotton is available at that time.

In India, cotton is currently priced at about Rs 48,000 per candy of 356 kg each. The central government has increased the MSP for raw cotton seeds for 2018-19 season (28.1% percent year-on-year to Rs 5,150 per quintal) "The price of each cotton candy of 356 kilogram at MSP is Rs 47,000. Indian cotton exports will remain competitive even at MSP as the depreciation of the Indian currency will aid exports," said Shri. Ganatra. India will have to compete with Brazil, though, to get a larger share of Chinese demand. The United States Agriculture Department too expects India's exports to increase in 2018-19.

## India's 2018-19 Forward Cotton Export Contracts Up 100% YOY

India's forward export contracts of cotton have more than doubled from about seven lakh bales in September 2017, driven by increased demand from China, lower domestic prices and depreciation of the rupee. According to traders, exports would go up in this financial year despite expected projections of tight supplies and increase in minimum support price (MSP) by the government.

"We have signed export contracts for 14-16 lakh bales (of 170 kg each). About 75% of these contracts are for export to China," said Shri. Atul Ganatra, President, Cotton Association of India (CAI). "The 25% duty imposed by China on cotton imports from the USA will make Indian cotton more affordable to Chinese buyers."

Cotton prices are expected to remain firm in the long term with traders expecting export demand to pick up. Current delays in the arrival of crop in Gujarat and Rajasthan markets may also support the prices.

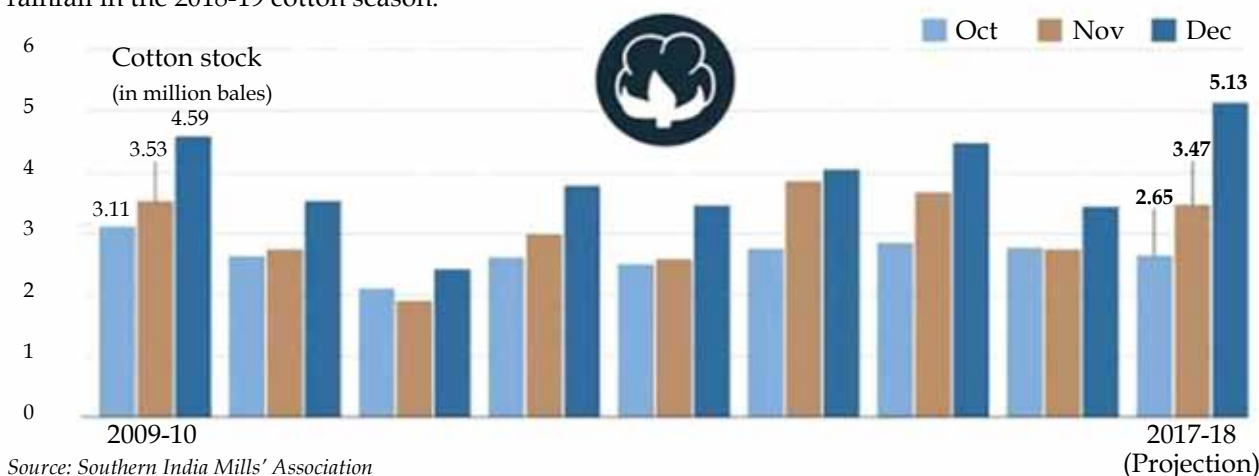
## India May See Strong Growth in Cotton Yarn Export in FY19: ICRA

The surge in export demand for cotton yarn over the past few months has come as a major respite for the domestic spinners, who had reported a multi-year low profitability during FY2018 amid multiple headwinds. Even though the pace of growth is likely to moderate during the year with the base effect setting in, India is set to record strong growth in cotton yarn exports during FY2019, according to an Indian Credit Rating Agency (ICRA) recent report.

Commenting on the emerging trends, Shri. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, says, "Even though trends in domestic consumption of

## Cushy Position

A comfortable stock from the earlier season should alleviate the stress of output shortage due to uneven rainfall in the 2018-19 cotton season.



cotton yarn remain un encouraging, strong revival in export demand augurs well for profitability of domestic spinners as it has enabled them to pass on the increase in raw material costs, unlike last year. During FY 2019, this together with access to low-cost cotton from the previous harvest season has helped the domestic spinners maintain the improvement trajectory in profitability in H1."

The revival in export demand has enabled ICRA's sample of large spinning companies report a comfortable volumetric growth of 5% Y-o-Y in Q1 FY2019, which together with a 7% Y-o-Y increase in average yarn realisations to Rs. 211/kg has translated into a growth of ~12% in sales turnover during the quarter. The growth rate appears comfortable, when viewed in comparison to a growth of 5-6% reported by the sample during FY2017 and FY2018 amid multiple demand-side pressures. The aggregate operating margins also improved to 12.2% in Q1 FY2019 vis-a-vis 11.6% in Q4 FY2018, after having remained subdued at 9-11% during the preceding four quarters. As a result, the aggregate interest cover improved to 3.8x in Q1 FY2019 from 3.1x in Q1 FY2018, despite an increase in interest outgo due to an increase in the inventory-led working capital requirements.

While the strong Y-o-Y growth of 56% in cotton yarn exports during four months of FY2019 driven by a more than two-fold increase in exports to China, is partly attributable to the low base effect, as exports were down by 56% Y-o-Y in four months FY2018, it has also been driven by competitive Indian cotton and yarn prices. Indian cotton prices increased at a relatively slower pace vis-a-vis the international prices during the seven-month period ended May 2018, reporting a 6% increase in US dollar terms

vis-a-vis a 20% increase in the international cotton prices during the same period. As a result, the spread between domestic and international cotton prices, which typically averages at 5%, increased to 12% in the quarter-ended March 2018 before peaking at 16% in the quarter-ended June 2018. This, together with rupee depreciation, made Indian cotton as well as cotton yarn considerably competitive in the global markets during the months of March, April and May 2018, shoring up demand for the shoring up demand for the Indian cotton and cotton yarn.

With increased demand, the Indian cotton prices increased by ~9% in the month of June 2018 and stayed firm thereafter, before correcting marginally in September 2018 with the onset of the harvest season. As a result, the spread between the domestic and international cotton prices narrowed significantly and is estimated at ~8% for the quarter-ended September 2018.

"Notwithstanding the healthy demand prospects in the export markets in the near term, considering the still higher-than-usual spread levels, the spike in growth rate of exports witnessed is likely to moderate during H2 FY2019 with the arbitrage opportunity as well as the base effect fading out," Shri. Roy added. Other factors apart, competitive pressures from Vietnam and China's focus on improving cotton availability situation are also expected to moderate the export demand for India's cotton yarn going forward. Nevertheless, given the strong growth reported during four months of FY2019, cotton yarn exports for the full year are expected to report a healthy growth in FY2019.

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

## Kites Fly High Over The CAI

To celebrate Makar Sankranti, many members of the cotton fraternity including CAI President Shri. Atul Ganatra, gathered at the Association on January 14, 2019. Young and old had fun flying kites, with the seniors easily beating the youngsters with their kite flying prowess! This was followed by high tea. Here are a few glimpses of the colourful event.





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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) 2018-19 Crop January 2019					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPI	7th	8th	9th	10th	11th	12th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11220 (39900)	11304 (40200)	11304 (40200)	11360 (40400)	11360 (40400)	11360 (40400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11360 (40400)	11445 (40700)	11445 (40700)	11501 (40900)	11501 (40900)	11501 (40900)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	9280 (33000)	9280 (33000)	9280 (33000)	8998 (32000)	8717 (31000)	8436 (30000)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	10601 (37700)	10601 (37700)	10601 (37700)	10601 (37700)	10517 (37400)	10404 (37000)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	11304 (40200)	11304 (40200)	11248 (40000)	11248 (40000)	11164 (39700)	10967 (39000)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	11782 (41900)	11726 (41700)	11670 (41500)	11726 (41700)	11642 (41400)	11642 (41400)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	-	-	-	10826 (38500)	10742 (38200)	10686 (38000)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	-	-	-	10967 (39000)	10882 (38700)	10826 (38500)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12092 (43000)	12007 (42700)	11951 (42500)	12007 (42700)	11923 (42400)	11923 (42400)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	-	-	-	11248 (40000)	11164 (39700)	11107 (39500)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	-	-	-	11389 (40500)	11304 (40200)	11248 (40000)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	12176 (43300)	12120 (43100)	12063 (42900)	12120 (43100)	12035 (42800)	12035 (42800)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	11867 (42200)	11838 (42100)	11810 (42000)	11810 (42000)	11726 (41700)	11670 (41500)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	-	-	-	11951 (42500)	11895 (42300)	11838 (42100)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	12035 (42800)	12035 (42800)	11979 (42600)	11979 (42600)	11923 (42400)	11867 (42200)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12176 (43300)	12148 (43200)	12092 (43000)	12092 (43000)	12035 (42800)	11979 (42600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12204 (43400)	12204 (43400)	12176 (43300)	12176 (43300)	12120 (43100)	12063 (42900)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12513 (44500)	12513 (44500)	12513 (44500)	12513 (44500)	12513 (44500)	12457 (44300)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12766 (45400)	12766 (45400)	12766 (45400)	12766 (45400)	12766 (45400)	12766 (45400)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15747 (56000)	15747 (56000)	15747 (56000)	15747 (56000)	15607 (55500)	15466 (55000)

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