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MARINE INSURANCE – 10

CLAIMS- Part I

(Late Shri Rajendra Ganatra, M.A., M.Com., LL.M., F.I.I.I., D.M.M.T. was a leading Insurance Consultant and trainer. He had a vast experience of over 35 years in General Insurance, 20 years as faculty on Marine Insurance at Banks, Financial Institutions, Insurance Companies and Colleges.

This article was written prior to his sad demise on December 27, 2013.)

WHEN THE CLAIM ARISES UNDER THE POLICY

Under the Marine Cargo policy, a claim arises when there is loss or damage to the cargo in the insured transit. However, there are many circumstances when even if the cargo is sound and safe, a claim can arise under the policy. This can happen for general average claims, salvage charges and collision liability claims. These three types of claims arise when the cargo is sound and safe or if the cargo is partially damaged, the claims are payable only on the sound value of the cargo.

EXPERT's Column

Late Shri Rajendra Ganatra

Under the Marine Insurance Act 1963, a policy is not a proof of interest, i.e. if the person has taken the policy, he cannot automatically claim under the policy. He has to comply with the following requirements:

1. There should be loss or damage to the cargo in insured transit.
2. The insured should have insurable interest at the time of loss.
3. The peril (risk) causing loss must have been insured under the policy.
4. The peril causing loss may not be excluded under the policy.
5. All the terms and conditions of the policy are complied with.

1. LOSS OR DAMAGE TO THE CARGO IN TRANSIT

The main cover under the policy is for loss or damage to the cargo in transit. If the cargo is sound and safe and the buyer does not pay for the goods though it is a loss to the seller, he cannot recover under the policy; as the policy does not guarantee the payment by the buyer. Such non-payment is subject matter of guarantee insurance, (insurable under ECGC policy). Marine cargo policy pays for loss or damage to the cargo and that too, to the extent of loss or damage. If the loss is 50%, the amount payable will be 50% of the sum insured and so on.

If the loss should occur in insured transit, i.e. loss occurring before commencement of transit or after transit is over, it is not payable. In the following circumstances, the transit is not in force, hence it is not covered:

i) The goods have reached final destination place/warehouse.

ii) After expiry of the time limits of 60 days/30 days after discharge at final port/airport, the claim is also not admissible even though the goods are in transit.

iii) The policy ceases earlier because of non-compliance of policy terms like reasonable dispatch clause, then also there is no claim under the policy.

iv) It is also important that the goods remain in ordinary course of transit for the cover to remain in force. If any intermediate place is selected as distribution place or place for permanent storage, the cover will cease. However, if the same place is selected as the transshipment place, the goods lying at that place are covered.

v) During transit, if the goods come under control of insured and remain in storage or undergo any process. However, this can be cove red specifically by taking add on storage cover or taking policy as Multi Transit policy.

2. THE INSURED SHOULD HAVE INSURABLE INTEREST AT THE TIME OF LOSS

The insured's insurable interest is very important and the same is required at the time of loss. When the policy is taken, the same may or may not be there. If there is no insurable interest, the contract is considered void under section 6 of the Marine Insurance Act.

The issuing of policy is not the proof or guarantee that the claim will be paid by the insurance company. Secondly, at the time of issuing of the policy, there is no need for the insurance company to enquire about the insurable interest aspect of the insured. However, at the time of settlement of the claim, it is mandatory on them to verify this aspect.

Without verifying insurable interest, the insurance company cannot pay the claim and even when the policy is issued by mistake, there is no "moral" obligation on their part to pay any such claim. Even if they make the payment, such payment would be illegal as the policy without insurable interest is void.

The insurance company cannot issue any policy wherein insurable interest is admitted in advance. If such policy is issued, it is void from inception and no claim can be admitted thereunder. So the Act requires proof of the insurable interest at the time of loss which cannot be dispensed with under any circumstances.

As seen earlier, the presence or absence of insurable interest is to be judged from the terms of sale between the buyer and seller and in case of inland transit where there are no defined terms of sale from the provisions of Sales of Goods Act.

The assignee will receive the benefits of the policy provided he is having insurable interest and his rights under the policy will be equal to but not better than the rights of the original assignee. The assignee can receive the money in his own name. Wherever the original insured does not have an insurable interest, he cannot assign the policy and even if he assigns the policy, the policy will be inoperative. Under the act, there is no prohibition of assigning the policy even after a loss, provided there is an agreement to assign the policy.

3. THE PERILS CAUSING LOSS MUST HAVE BEEN INSURED UNDER THE POLICY

The loss by insured peril is very important. Under ICC B and ICC C, the insured has to prove the loss or damage to the cargo by any of the perils listed in the clauses. However, under ICC A, it is sufficient if the insured proves physical loss or damage to the cargo in transit. The cause of loss may not be proved in case of ICC A. Whether the rule of proximate cause is applied strictly or in relaxed form, depends upon the peril causing loss. In case of extension of policy to cover extraneous perils along with ICC C or B, any loss caused by them is also covered.

The onus of proof or proving loss/damage by insured peril is on the insured.

4. THE PERIL CAUSING LOSS SHOULD NOT BE EXCLUDED UNDER THE POLICY

It is also important that none of the exclusions is involved in the loss. However, to prove the applicability of any of the exclusions is on the insurance company. The insured has to prove the loss caused by the insured peril and if the insurance company does not agree, they have to prove the applicability of any of the exclusions. In applicability of exclusions, the rule of plain English and proximate cause are to be applied. For e.g. exclusion 4.3 excludes losses arising out of insufficient packing. Under this exclusion, direct losses like physical damage, etc. arising out of insufficient packing are not covered, but indirect losses like theft, etc. indirect losses are covered if they are otherwise insured.

The insurance company has to prove the applicability of the exclusions. Just alleging the loss by exclusion or any such presumption is not acceptable. It is to be proved by documentary evidence and without any doubt. How the insurance company proves the exclusion is up to them.

5. ALL THE TERMS AND CONDITIONS OF THE POLICY ARE COMPLIED WITH

Compliance of terms and conditions of the cover is very important. It is no excuse that the terms do not relate to the cover. Once any cover is accepted, whatever terms are prescribed, they are to be complied with. Even when compliance is impossible, non-compliance will amount to breach of policy conditions and the insurance company will have the right to avoid the contract as the non-compliance policy becomes voidable.

For claims, the important terms to be complied with are clauses 16, 17, 18, as well as any of the express warranties put in the policies.

There are certain conditions whose breach is to be excused by the insurance company provided prompt notice is given and the insured agrees to pay additional premium or accepts revised terms if quoted by the insurance company. Such conditions are called “held covered”. In cargo clauses “held covered” provisions include deviations, dispatch of cargo by vessel not complying with Institute classification clause, storage on deck of the ship, etc.

TYPES OF LOSSES:

Under whatever terms the cover is arranged- ICC (C), (B) or (A) or ITC (C), (B) or (A) all the following losses are covered.

i) TL= Total Loss of cargo – total destruction of cargo or theft.
ii) CTL= Constructive Total Loss - where either cargo not recoverable or cost of recovery is more than the value.
iii) P.A.= Particular Average or Partial Loss Claims which are for less than the total loss of cargo are treated as partial loss claims. Whether the claim is total or partial, is to be decided on the basis of full cargo. If the cargo consists of 60 bales of cotton and if 10 are stolen, it is considered as partial loss of 1/6th of the cargo.
iv) GA= General Average - Sacrifice - When the cargo is sacrificed to save the adventure or Contribution - when the cargo is sound and safe but the amount is to be paid because somebody else has done some sacrifice or ship owner has incurred expenditure to save the adventure.
v) Salvage Charges: In case a ship is in danger and another ship comes to the rescue and saves the ship and cargo; compensation is payable to that ship.
vi) Collision Liability: In the case of collision between two ships, the amount is payable by cargo owner as share of liability. However, this is payable only on sound cargo value.
vii) Loss Minimisation Expenses: If cargo is partly damaged in transit and some expenditure is incurred to save it from further damages. i.e. repacking charges.
viii) Forwarding Charges: When the voyage is terminated at an intermediate place due to some insured peril, storage and reshipment expenses payable up to final destination.
ix) Extra Charges: Survey fees paid by the insured, auction charges incurred, etc.

In case of TL and CTL, under a valued policy, the sum insured is payable. If policy is unvalued, then the insurable value/market value is payable. In PA, the loss is paid as percentage of sum insured or in case of repairs up to the cost of repairs. In GA, salvage charges, a proportionate contribution as demanded by shipping company is payable. In collision liability, a proportionate amount awarded by court is payable. Loss minimisation, forwarding charges and extra charges are payable on reimbursement basis.

Role of Genomic Studies in Boosting Yield

Yield declines in cotton production, coming from both intrinsic and operational decreases, are a concern for producers, consumers and researchers. Yield improvement with agronomic properties such as early-maturity and superior fiber quality is the priority target of cotton breeders and cotton researchers worldwide. Contemporary cotton breeding has contributed enormously to developing high yielding and early-maturing varieties with improved fiber quality. Other agro-technologies have also contributed to greatly improved cotton yields over the past century. The emergence of "biotech crops," adopted worldwide by cotton farmers, has further added to cotton yield gains and has brought significant economic benefits for global cotton farming. However, expanding threats from both abiotic and biotic stresses, including global warming and the narrowing genetic base of commercialized cotton cultivars, generate significant concerns and are prompting breeders to develop novel cultivars that are superior to the current (traditionally bred or genetically engineered) ones. To address this, with the development of 21st century "omics' sciences, a considerable amount of efforts have been made to develop large genetic and genomics resources for cotton through the characterization of novel genes of agronomic importance, the development of molecular marker resources and genetic mapping of complex traits, the development of better germplasm and populations, and the decoding of the entire cotton genome sequence. These efforts led to the development of novel breeding approaches, such as marker-assisted selection, genomic selection, virtual breeding and new-generation transgenomics tools such as RNAi, which are being widely applied in order to improve cotton quality and boost yields. The objective of this paper is to revisit the current and projected status of cotton yields, causes of yield declines, and efforts, successes, failures and possible future solutions with application of modern "omics" technologies that may boost cotton production worldwide. The efforts and achievements ongoing in Uzbekistan will be briefly detailed.

Introduction

World agriculture, designed to supply the human diet, clothing, and pharmaceutical products, presently cultivates around 2,000 plant species on around 1.55 billion ha to fulfill human needs. Despite this, product deficiencies still exist widely and will become more common with the global human population increasing to ~9 billion by 2050, whereby ~1 billion people may experience product deficiencies and hunger. This danger is prompted by 1) a gradual decrease in cultivated land because of degradation, desertification, urban sprawl, mining, toxic pollution and rising sea levels, 2) declining yields of agricultural crops due to decreased genetic diversity and increased threats of biotic and abiotic factors, and 3) reductions in yield due to climate change that will decrease soil water availability, increase heat stress of plants, and alter crop development cycles.

Soil salinity and drought stress account for large reductions in the yields of a wide variety of crops worldwide. The area affected by salinity is very large (estimated around 320 million ha), and is rapidly increasing due to increased irrigation, farming practices in arid zones, and global warming. At the same time, due to globalization and technological advances, there are urgent concerns for world agricultural production to provide bio-safety/ bio-security for the world's leading crop species and safeguard them from biotic (phytopathogens, pests, and invasive species) threats. For example, biological threats from harmful organisms in agricultural practices cost over $1.4 trillion in crop damage, about 2% of global gross domestic product (GDP). The crop losses are even more severe in developing countries. This prompts researchers and scientific communities, rather than overlooking crop bio-security issues, to develop bio-secure agricultural programs and to establish an innovative strategy for regional, national and global biosecurity threats.

Main Causes and Factors for Declining Yields

Cotton yield declines can be associated with many indirect factors such as cotton prices, food security, and other complex policy factors, which are outside of the scope of this paper. Genetic and environmental factors affecting cotton yields are discussed here. The decrease in intrinsic yield, which is the highest yield obtained under ideal farming situations, can be attributed to 1) shrinking genetic diversity of commercial cotton cultivars; 2) challenging and limited use of heterosis in cotton production (only a few countries like India and China use it); and 3) limitations of traditional breeding to rapidly breed a productive plant architecture (e.g.

with erect, compact, short internodes, more bolls and fruiting branches, etc.,) with a developed root system, short or medium vegetation, decreased photorespiration, increased photosynthesis, and nutrient utilization capacity.

Decreases in operational yields, which are greatly dependent on environmental influence, can be due to 1) again, lack of genetic diversity; 2) biotic (insect, fungal, bacterial, and viral invasions) and abiotic (salt and drought as well as heat eradications) stresses including global warming; and 3) no or limited use of commonly-practiced, efficient, standardized and widely proven agro-technologies to rapidly cope with environmental changes, and to sustain production (e.g. high density planting, drip irrigation, and integrated nutrient and pest management strategies). Of these, at least two are major global concerns for cotton researchers and producers. Firstly, the narrow genetic base of the cotton germplasm, because of a genetic bottleneck derived from historic domestication events and selection, caused recent cotton yield and quality declines. These declines were due to the vulnerability of genetically uniform cultivars to potentially new biotic and abiotic stresses, as well as to the lack of genotypic potential or existence of fewer alleles responsible for yield traits.

Second, global climate change caused by increases in atmospheric carbon dioxide (CO2) is expected to negatively impact agriculture, including cotton. Climate change is a huge concern that may contribute to future cotton yield declines. Increased levels of CO2 may increase fiber yield and water use efficiency, and the fertilization effect of increased CO2 should increase cotton yields by 10%. However, the subsequent temperature

increase, projected to be ~2-3°C by 2050, will cancel out much of the potential yield gain mentioned above. Global warming will negatively affect (i) nitrate utilization, (ii) bring more drought and heat stress, especially for rain-fed cotton, (iii) cause abnormalities in pollen development affecting fertilization of ovules and reducing boll retention, (iv) accelerate population growth and geographic expansion of cotton insects, and (v) increase extreme rain events and flooding.

Approaches to Increase Yields

The widening of the genetic diversity of currently grown cotton cultivars is very important because of the impact on both the intrinsic and operational yield of cotton. Genetic diversity can by increased through combining, introducing or pyramiding new genetic variants that provide better adaption of cultivars to environmental stresses. Wider genetic diversity has the potential to protect crops from massive new pathogens and pest epidemics or sudden environment changes, and thus create an opportunity to further improve yield potential and crop productivity . Toward this goal, the 21st century's "omics" science and innovative genomics tools are considered the most promising approaches, in combination with contemporary cotton breeding knowledge and strategies. These include (1) accelerated development and success of transgenic, cisgenic and intragenic biotech crop technologies with complex effects targeted to improve the intrinsic yield in cotton, and (2) decoding of cotton genomes, and mapping and characterization of the genetic basis of complex traits (as referred to quantitative trait loci- QTLs) that provide better exploitation of existing genetic diversity of cotton germplasm and gene pools and; widening of the genetic diversity of commercialized cotton cultivars using modern marker-assisted selection (MAS), markerassisted backcross selection (MABS) and genomic selection (GS) programs.

Transgenomic Technologies and Biotech Cotton: Its Role, Success and Perspectives in Cotton Yield Improvement

The first biotech cottons developed using transgenomic tools were the genetically engineered (GE) insect resistant (Bt6 cotton) and herbicide tolerant (HT-cotton) cultivars developed to minimize weed control costs, and insect infestation that severely affected productivity. Several toxin producing Cry genes from the bacterium Bacillus thuringiensis (Bt), notably affecting the larvae of moths Helicoverpa ssp. and harmless to other forms of life, were genetically inserted into the cotton genome to produce insect resistant cultivars. Similarly, HT-cottons were developed through introducing the EPSPS gene providing tolerance to the herbicide glyphosate, or with a BXN gene providing tolerance to the herbicide bromoxynil. These two transgenic cottons have been widely commercialized over the last 17 years, and the cultivation of genetically engineered crops worldwide increased from 1.7 million hectares in 1996 to 170 million hectares in 2012 in 28 countries. Being the third largest biotech crop, biotech cotton is currently grown on more than 66% of world cotton area.

The transgenic technologies, commercialized over the past several years, undoubtedly increased the income earned from cotton worldwide. Farmers have benefited from biotech cotton cultivation because of decreased insecticide use, reduced energy use, decreased tillage helping to reduce soil erosion, and an overall increase in operational yields. For instance, the national cotton lint yield in India rose to 554 kg/ha in 2006/07, compared to pre-Bt cotton farming with yields of 300 kg/ha during 1993-2001. Indian cotton yields have declined in recent years, but this is thought to be connected with the cultivation of cotton in non-optimal conditions as area has expanded. Generally, the contribution of Bt cotton varieties in boosting yields in India can be questioned due to selection and cultivation biases, such as (1) selection of successful farmers as early growers of Bt-cotton, (2) farmers taking special care of Bt-plots, and (3) short-term practices that make comparisons problematic.

A recent report compiled by Gruian-Sherman (2009), a senior scientist in the Union of Concerned Scientists (UCS) Food and Environment Program, based on 11,275 approved field trials for GE crops, including a large number of Bt (3,630) and HT (4,626) trials that covered more than 20 years of research and 13 years of commercialization of GE varieties, concluded that biotechnology "has done little to increase overall crop yields" with the modest aggregated success of Bt-crops. No biotech cultivars have boosted intrinsic yield of any crop with marginal operational yield gains (3-4%). The significant portion of yield increases (24-25%) observed during the 20th century was not the result of GE technologies, but the result of contemporary breeding. According to the report, a detailed analysis of approved field trials of other transgenic traits intended to boost yields of agricultural crops such as bacterial resistance (139 trials), fungal resistance (713 trials), nematode resistance (51 trials), virus resistance (884 trials), abiotic stress tolerance (583 trials) and yield traits (652) showed limited success in increasing yield components on a crop-wide basis in both national and worldwide levels.

The failure or limited success of currently available or tested GE technologies to improve yields may be due to (1) gradually loosing the 'early-stage' proven transgenic effects (in the cases of Bt and HT) because of the development of tolerance by biotic agents (resistant genotypes to Bt or herbicide tolerant weeds) resulting in more aggressive invasions in crop populations, (2) growth of secondary pests and aggressive pathogens, (3) distribution of existing management practices from "weedy volunteers" (4) non-optimal agricultural farming of GE crops that differ from conventional crops, (5) gradual loss in seed quality of GE crops due to contamination from out-crossing and off-types, and/or (6) through the generation of an epigenetic transgene silencing process that might be unrecognized and not removed in large field plots.

A decrease in the yields of GE crops in subsequent agricultural practices could also come from the introduction of transgenic traits into cultivars that are poorly adapted to local farming conditions. This is especially true with the Bt trait that must be introduced into a local cultivar background through several backcrosses. Often times, conventionally bred and approved local cotton cultivars with earlier crop maturity and desired plant architecture, i.e., more compact and erect types, have been found unsuitable for Bt introgression. Consequently, the varieties used with Bt traits have a lower yield potential but are nevertheless chosen by farmers because they require fewer pesticide applications.

Despite these facts, transgenic technologies will play a prominent role in improving crop productivity through (1) discovery and application of more novel gene variants of transgenic traits (e.g. new variants of Bt genes or novel candidate genes for insect and disease resistance, such as protease, amylase inhibitors, etc.), (2) use of a combination of different variations for transgenes of interest (i.e., gene stacking), and (3) development of novel GE technologies with more complex genetic effects, affecting many genetic pathways and causing multiple gene interactions compared to the GE crops currently grown, and having fewer interactions with other traits in each plant genome.

The latter case is under primary consideration and focus by researchers who are working to develop GE crops with increased intrinsic and operational yields. These efforts target genes involved with complex genetic and biochemical pathways, affecting light perception and photosynthetic rate, plant architecture and organogenesis, better development of root systems, better nutrient assimilation and water use efficiency, and improved tolerance to abiotic stresses. It is not the objective of this paper to review all details of individual genes that are currently used. Nevertheless, speaking broadly, the genes being used with more complex genetic effects include 1) photosynthetic genes, 2) transcription factors, 3) light perception genes, 4) genes from cell cycle machinery, 5) signal transduction factors, 6) plant hormones, and 7) small RNA and microRNA genes. Table 1 summarizes some examples of complex genes used in plant biotechnology, including genes used in cotton transformation. Novel genes that are being used for cotton biotechnology have been discussed in the recent report of the Round Table for Biotechnology in Cotton.

Although the side effects. positive or detrimental, of using complex gene effects in GE crop development may prevent future commercialization of these new generation GE crops, the fundamental knowledge gained in the genomics era of the 21st Century suggests the possibility of significant yield increases using these new research results and efforts. Success in future GE crop development requires (i) a better understanding of genetic interactions and physiological consequences of modification of genes with multiple effects, (ii) optimization of multiple effects of "candidate genes" in GE development with reduced side effects (with detrimental and harmful impacts), and (iii) the conduct of detailed field trials without the selection and cultivation biases mentioned above. Future efforts also require exploiting a new generation of transgenomics, synthetic anti-sense oligonucleotide and a new generation of genome editing such as zinc fingers and use of a transcription activator like endonuclease technologies to generate more exact and conserved function of transgenic traits in GE crops.

Source: ICAC Recorder

(To be continued in the next issue....)

Cotton arrivals ahead of the last season

The Cotton Association of India (CAI) released its January estimate of the cotton crop for the season 2013-14. CAI has placed the cotton crop for the season 2013-14 beginning on 1st October 2013 at 374 lakh bales of 170 kgs.each.

Almost half of the crop has already arrived and the arrivals till the end of January 2014 are higher than that upto the corresponding month of the previous season.

A statement containing the state-wise estimates of Crop and Balance Sheet for the season 2013-14 and the corresponding data for the previous season 2012-13 are given below.

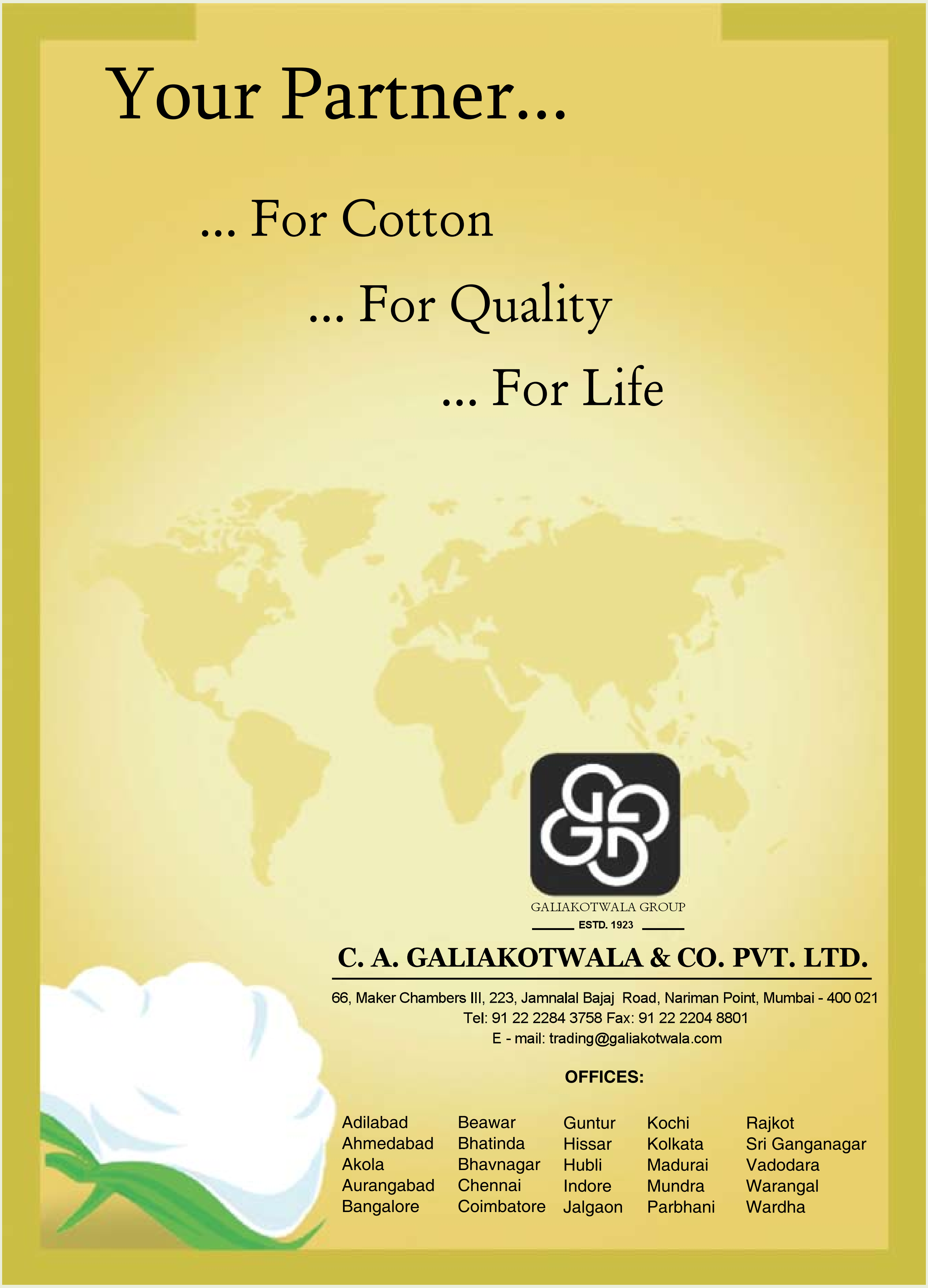
CAI's Estimates of Cotton Crop as on 31st January 2014 (in lakh bales)

State	Production		Arrivals as
	2013-14	2012-13	on 31.01.14
Punjab	12.50	15.50	7.75
Haryana	20.00	24.00	10.50
Upper Rajasthan	4.50	7.50	3.25
Lower Rajasthan	8.00	8.50	5.50
Total North Zone	46.75	55.50	27.00
Gujarat	114.75	83.25	53.75
Maharashtra	75.25	72.50	42.25
Madhya Pradesh	18.25	18.00	12.00
Total Central Zone	208.25	173.75	108.00
Andhra Pradesh	66.50	78.00	35.50
Karnataka	18.25	13.50	9.50
Tamil Nadu	5.00	5.00	3.00
Total South Zone	89.75	96.50	48.00
Orissa	3.00	3.00	1.50
Others	2.00	2.00	1.00
Total	349.75	330.75	185.50
Loose Cotton	26.00	26.00	-
All-India	374.00	356.75	185.50

The Balance Sheet drawn by the Association for 2013-14 and 2012-13 is reproduced below:

(in lakh bales)

Details	**2013-14**	**2012-13**
Opening Stock	43.25	54.75
Production	374.00	356.75
Imports	15.00	14.75
Total Supply	432.25	426.25
Mill Consumption	255.00	251.00
Consumption by SSI Units	24.00	24.00
Non-Mill Use	16.00	10.00
Exports	-	98.00
Total Demand	295.00	383.00
Available Surplus	137.25	-
*Closing Stock	-	43.25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Warangal
Wardha

ICAC'S Cotton This Month

In 2010/11, world production exceeded consumption and this trend has continued into this season, though declining production and a slight rise in consumption is closing the gap. In 2013/14, world production is forecast at 25.7 million tons, a decrease of 4% from 2012/13 and 8% from peak production of 28 million tons in 2011/12. This is due principally to lower yields and less area planted with cotton. The world average yield in 2013/14 is forecast at 777 kilograms per hectare, down 2% from last season and world area is forecast at 33.1 million tons, also down 2% from last season.

Aside from India, harvesting in the northern hemisphere has mostly come to a close. Production in the northern hemisphere, which accounts for close to 90% of world production, is estimated at 22.5 million tons in 2013/14, a decrease of 7% from 2012/13. Planting in the southern hemisphere is fully underway with area under cotton forecast at 3.4 million hectares, 10% greater than in 2012/13 and production at 3.2 million tons, up from 2.7 million tons in 2012/13 due in large part to Brazil, Argentina.

World cotton mill use is projected up by 1% this season to 23.6 million tons, reversing the downward trend in cotton consumption since 2009/10. World cotton mill use should continue to grow in 2014/15 (by 4%) if the health of the global economy continues to improve. World economic growth, which is the main factor affecting end-use textile consumption and cotton mill use, is projected to further recover in 2014. The International Monetary Fund's latest projections, published in January 2014, indicate world economic growth at 3.7% in 2014, up from 3.0% in 2013 and 3.1% in 2012. The IMF forecasts for 2014 are up for the United States, 2.8%, and the Euro Area, 1.0% from 2013, which traditionally have been large markets for end-use textiles and clothing. Growth in developing Asia, which is where most cotton is consumed, is forecast at 6.7%, up slightly from 6.5% in 2013. In 2014, China's economic growth is expected to slow down to 7.5% from 7.7% in 2013 while India's will increase to 5.4% from 4.4% in 2013.

World cotton trade is forecast at 8.6 million tons this season. Although China is expected to be the largest b b importer of cotton this season, accounting for 37% of all imports, East Asia's volume of imports has been growing in the last four seasons from just under 2 million tons (25%) in 2009/10 to an expected 2.3 million tons (27%) in 2013/14. East Asia's imports are expected to remain stable in 2014/15 at 2.4 million tons, but its share will increase to 30%, largely due to an expected decline in China's imports to 1.9 million tons. Despite a smaller crop, the United States will remain the largest exporter, with expected shipments of 2.3 million tons this season, followed by India with 1.3 million tons.

In 2013/14, world ending stocks are forecast to be 19.9 million tons, more than 2 million tons higher than last season. Despite the excess of cotton stock in the world, the Cotlook A Index for January has averaged about 91 cents per pound, up from 85 cents per pound seen in November and early December 2013. This is due in part to China's cotton policy, which has removed much of the excess cotton from the world market. Given China's share of world cotton stocks, if it decides to offload its reserve stock onto the world market, price is expected to decrease. At the end of 2013/14, China is expected to hold 58% of world stocks with an expected ending stock of 11.5 million tons. Currently, the government of China holds about 12.6 million tons. During the current season it has purchased more than 5.6 million tons and sold just over 400,000 tons. All sales and procurement are on hold for spring holidays in China, but sales from the reserve will start again on February 7.

The world cotton demand and supply, as drawn up by the ICAC, is given below.

(in mt)

	2012-13	2013-14	2014-15
Beginning Stock	14.61	17.79	19.94
Production	26.84	25.74	25.41
Consumption	23.34	23.60	24.54
Exports	10.03	8.57	8.02
Ending Stocks	17.79	19.94	20.81

(Source: ICAC Monthly February 2014)

SUPPLY AND DISTRIBUTION OF COTTON

February 3, 2014

Seasons begin on August 1 — Million Metric Tons

	2009/10	2010/11	2011/12	2012/13 Est.	2013/14 Proj.	2014/15 Proj.
BEGINNING STOCKS						
WORLD TOTAL	11.755	8.569	9.465	14.611	17.79	19.94
China (Mainland)	3.585	2.688	2.087	6.181	9.61	11.55
USA	1.380	0.642	0.566	0.729	0.85	0.65
PRODUCTION						
WORLD TOTAL	**22.334**	**25.409**	**28.041**	**26.838**	**25.74**	25.41
China (Mainland)	6.925	6.400	7.400	7.300	6.70	6.15
India	5.185	5.865	6.354	6.095	6.31	6.31
USA	2.654	3.942	3.391	3.770	2.87	3.12
Pakistan	2.158	1.948	2.311	2.204	2.10	2.09
Brazil	1.194	1.960	1.877	1.261	1.64	1.65
Uzbekistan	0.850	0.910	0.880	1.000	0.92	1.00
Others	3.369	4.385	5.828	5.208	5.20	5.09
CONSUMPTION						
WORLD TOTAL	**25.520**	**24.502**	**22.796**	**23.340**	**23.60**	**24.54**
China (Mainland)	10.192	9.580	8.635	8.290	7.88	7.80
India	4.300	4.509	4.340	4.845	5.10	5.51
Pakistan	2.402	2.100	2.217	2.416	2.49	2.61
East Asia & Australia	1.892	1.796	1.646	1.858	2.00	2.21
Europe & Turkey	1.600	1.549	1.495	1.532	1.58	1.71
Brazil	1.024	0.958	0.888	0.887	0.93	0.93
USA	0.773	0.849	0.718	0.751	0.78	0.82
CIS	0.604	0.577	0.550	0.561	0.58	0.60
Others	2.743	2.583	2.306	2.201	2.27	2.36
EXPORTS						
WORLD TOTAL	**7.798**	**7.686**	**9.870**	**10.027**	**8.57**	**8.02**
USA	2.621	3.130	2.526	2.902	2.29	2.24
India	1.420	1.085	2.159	1.685	1.30	1.09
Australia	0.460	0.545	1.010	1.345	1.03	0.74
Brazil	0.433	0.435	1.043	0.938	0.76	0.81
CFA Zone	0.560	0.476	0.597	0.796	0.88	0.93
Uzbekistan	0.820	0.600	0.550	0.653	0.68	0.59
IMPORTS						
WORLD TOTAL	**7.928**	**7.725**	**9.759**	**9.708**	**8.57**	**8.02**
China	2.374	2.609	5.342	4.426	3.13	2.17
East Asia & Australia	1.989	1.825	1.998	2.264	2.37	2.36
Europe & Turkey	1.170	0.972	0.724	1.015	0.77	1.01
Bangladesh	0.887	0.843	0.680	0.593	0.86	0.85
CIS	0.209	0.132	0.098	0.062	0.07	0.07
TRADE IMBALANCE 1/	**0.130**	**0.039**	**-0.111**	**-0.319**	**0.00**	**0.00**
STOCK ADJUSTMENT 2/	**-0.122**	**-0.051**	**0.013**	**0.000**	**0.00**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**8.569**	**9.465**	**14.611**	**17.790**	**19.94**	**20.81**
China (Mainland)	2.688	2.087	6.181	9.607	11.55	12.07
USA	0.642	0.566	0.729	0.848	0.65	0.71
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA(M) 3/	**38**	**49**	**60**	**54**	**53**	**52**
CHINA (MAINLAND) 4/	**26**	**22**	**72**	**116**	**147**	**155**
Cotlook A Index 5/	**78**	**164**	**100**	**88**		

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.
2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.
3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.
4/ China's ending stocks divided by China's mill use, multiplied by 100.
5/ U.S. Cents per pound.
(Source : ICAC Monthly February 2014)

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) 2013-14 Crop FEBRUARY 2014					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	3rd	4th	5th	6th	7th	8th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	15	11220 (39900)	11220 (39900)	11079 (39400)	11079 (39400)	11164 (39700)	11220 (39900)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 – 7.0	15	11360 (40400)	11360 (40400)	11220 (39900)	11220 (39900)	11304 (40200)	11360 (40400)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	20	8773 (31200)	8773 (31200)	8773 (31200)	8858 (31500)	8858 (31500)	8858 (31500)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	21	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)
5	M/M	ICS-104	Fine	24mm	4.0 – 5.5	23	10826 (38500)	10826 (38500)	10826 (38500)	10967 (39000)	11051 (39300)	11051 (39300)
6	P/H/R	ICS-202	Fine	26mm	3.5 – 4.9	26	11979 (42600)	11979 (42600)	12035 (42800)	12063 (42900)	12148 (43200)	12148 (43200)
7	M/M/A	ICS-105	Fine	26mm	3.0 – 3.4	25	11220 (39900)	11220 (39900)	11276 (40100)	11332 (40300)	11389 (40500)	11417 (40600)
8	M/M/A	ICS-105	Fine	26mm	3.5 – 4.9	25	11389 (40500)	11389 (40500)	11445 (40700)	11501 (40900)	11557 (41100)	11585 (41200)
9	P/H/R	ICS-105	Fine	27mm	3.5 – 4.9	26	12092 (43000)	12092 (43000)	12148 (43200)	12176 (43300)	12260 (43600)	12260 (43600)
10	M/M/A	ICS-105	Fine	27mm	3.0 – 3.4	26	11445 (40700)	11445 (40700)	11501 (40900)	11557 (41100)	11614 (41300)	11642 (41400)
11	M/M/A	ICS-105	Fine	27mm	3.5 – 4.9	26	11557 (41100)	11557 (41100)	11614 (41300)	11670 (41500)	11726 (41700)	11754 (41800)
12	P/H/R	ICS-105	Fine	28mm	3.5 – 4.9	27	12260 (43600)	12260 (43600)	12345 (43900)	12401 (44100)	12485 (44400)	12485 (44400)
13	M/M/A	ICS-105	Fine	28mm	3.5 – 4.9	27	11754 (41800)	11754 (41800)	11810 (42000)	11867 (42200)	11923 (42400)	11951 (42500)
14	GUJ	ICS-105	Fine	28mm	3.5 – 4.9	27	11810 (42000)	11810 (42000)	11867 (42200)	11951 (42500)	12007 (42700)	12035 (42800)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 – 4.9	28	11867 (42200)	11867 (42200)	11923 (42400)	11979 (42600)	12035 (42800)	12063 (42900)
16	GUJ	ICS-105	Fine	29mm	3.5 – 4.9	28	11923 (42400)	11923 (42400)	11979 (42600)	12063 (42900)	12120 (43100)	12148 (43200)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 – 4.9	29	12007 (42700)	12007 (42700)	12063 (42900)	12120 (43100)	12176 (43300)	12204 (43400)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 – 4.9	30	12120 (43100)	12120 (43100)	12176 (43300)	12260 (43600)	12317 (43800)	12345 (43900)
19	A/K/T/O	ICS-106	Fine	32mm	3.5 – 4.9	31	12288 (43700)	12288 (43700)	12345 (43900)	12429 (44200)	12485 (44400)	12513 (44500)
20	M(P)/ K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	17997 (64000)	17997 (64000)	17997 (64000)	17997 (64000)	18053 (64200)	18081 (64300)

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