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Cotton Statistics And News

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The Year That Was for Cotton

(Continued from Issue No.45..)

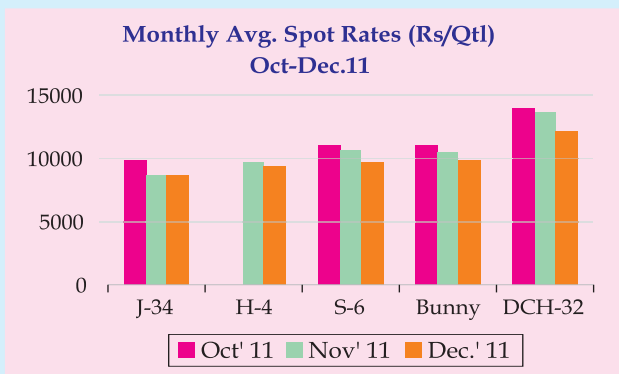
The relentless rise in cotton prices continued in March also owing to a mismatch between supply and demand. The overseas demand for cotton was also strong as shortages developed in world cotton market in the lack of a strong and quick recovery of the world textile industry after the earlier recessionary trends. In April 2011, the uptrend in prices was reversed and prices came down sharply. Two factors played a role in this reversal. Mills were not keen to buy cotton at such high prices as the earlier strong demand for yarn waned and because of the fall in world cotton prices. On top of a steep fall in April, cotton prices tumbled in May, the lack of demand again being the causative factor. Mills were reportedly nursing huge unsold yarn stocks. The situation was so bad that mills decided to cut yarn production by one-third. Faced with cash losses and negligible working capital, mills found it impossible to buy cotton which led to the steep fall in cotton prices. The bearish sentiment persisted in cotton market in June also, mainly because of the drying up of demand from mills. With the erosion in cash reserves and the working capital turning negative, not to speak of the huge yarn inventories, mills refrained from buying cotton. Also, with bright prospects of the ensuing cotton crop, mills were looking forward to a fall in cotton prices when they could start cotton purchase. It was the same story in July also with the cotton prices dropping further significantly.

The downtrend was, however, reversed in August with prices of all medium and long staple cotton, barring extralong staple cotton moving up. This was a response to the revival of demand from mills

and exporters. The critical situation in which spinning mills found themselves earlier had turned distinctly for the better with the advent of the festive season. There was a steep rise in demand for all textile products and consequently for yarn. Mills, therefore, re-entered the market and made fresh purchases to build up cotton inventory. Cotton exporters also entered the market since export of the commodity had since been placed under Open General Licence. Cotton prices escalated further in September owing the same factors that prevailed in August. It was, however, felt that prices may not rise to the unprecedented levels touched in February-March because of the record cotton production expected in 2011-12.

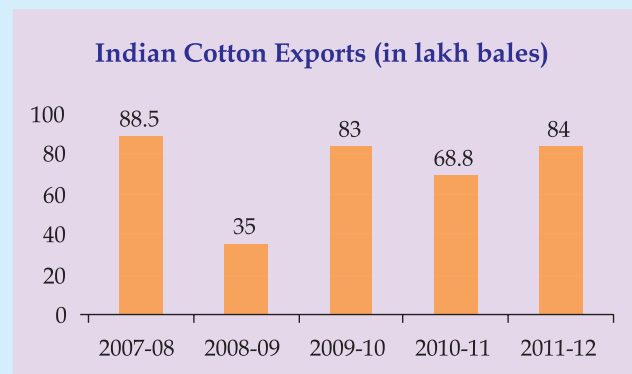
Cotton prices softened to a small extent in October 2011. This was triggered by the slackening of demand from mills which were not in a hurry to replenish the raw material inventory, particularly with the festive season rush behind them. They were also expecting a further fall in prices in view of the forecast of a bumper crop in the offing. Further, world cotton prices were under downward pressure since world cotton production was projected to surpass world mill consumption. The downtrend in domestic prices continued in November also, consequent on the fall in demand from mills and exporters. Mills had already built up cotton stock for the medium term and, on the other hand, demand for textile goods had waned. Exporters were also finding it difficult to find buyers in world markets which had turned bearish since world cotton production was forecast to surpass consumption. World cotton textile industry was also not in the pink of health and manufacturing activity had slowed down.

Cotton market sentiment remained bearish in December 2011 also. The main reason was again the dwindling demand from mills consequent on the slowing down of the movement of textile products after the festive season. Cotton exports were also at a low key with the demand from exporters waning. However, there were indications of exports picking up soon which may trigger a rise in cotton prices from January 2012.



After prices, another important factor is export of cotton which has a direct and strong influence on cotton prices. With the significant breakthrough in cotton production leading to large exportable surplus, India has been regularly exporting sizable quantities of raw cotton. In fact, it has emerged as a leading player in the world market and with an export of 88.5 lakh bales in 2007-08 it was the

world's second largest exporter during that year, after USA. Exports, however declined in 2009-10 and 2010-11.



The Government imposed curbs on unlimited exports. It also imposed an export duty of Rs. 2500 per tonne from May 2010 and placed a cap of 55 lakh bales for exports subject to review later. The exporters were required to make export registrations with the Director General of Foreign Trade. However, after reviewing the entire scenario, the Government allowed in June 2011 export of an additional quantity of 10 lakh bales. Subsequently, the Government removed all restrictions and placed cotton exports under Open General Licence.

(Concluded)

Indian Textile Sector to Grow 16% This Year : Assocham

The Indian textile industry is likely to grow by 16 percent this year and could reach US\$ 115 billion by 2012-end, according to a report released by The Associated Chambers of Commerce and Industry of India (Assocham).

The report titled "Textile Industry in India" adds that the textile industry growth will spur a corresponding demand in its ancillary industries, including accessories and machinery. It says there is a need to further boost textile machinery production, in view of the expected surge in India's textile exports to US\$ 50 billion. The report estimates an 11-13 percent growth in the country's non-woven sector and stresses on the need for installing new machinery, adopting latest technology, and improving availability of accessories. India's textile machinery sector presently meets 45-50 percent of the total demand of the local textile industry, according to the report.

The South Indian State of Tamil Nadu leads in

manufacturing of spinning and allied machinery. The State also leads in production of textile testing equipment. In the production of machinery related to synthetic filament yarn, Gujarat has the upper edge.

Six clusters in the country – Ahmedabad, Surat, Mumbai, Bangalore, Coimbatore and Ludhiana – produce textile machinery worth Rs. 50.1 billion, according to the report.

The report states that India's textile industry, which chiefly consists of ginning, spinning, weaving and processing industries, contributes 4 percent to the country's GDP, about 14 percent to the total industrial production, and accounts for about 17 percent of the country's foreign exchange earnings.

The US and the EU nations account for almost two-thirds of India's textile exports. The other major destinations are Bangladesh, Turkey, Japan, South Korea, Canada, Saudi Arabia and UAE.

(Source: Fibre2fashion News -February 08, 2012)

Government Unlikely to Curb Cotton Exports Despite Lower Crop Forecast-Report

Government is unlikely to impose any restrictions on export of cotton although the Cotton Advisory Board has trimmed the forecast of cotton production by 11 lakh bales in 2011-12 to 345 lakh bales from its previous November estimate of 356 lakh bales, says a report. Initially, the Government of India had allowed free shipments of cotton owing to an estimated record crop in 2011-12. Exports were originally capped at 55 lakh bales in 2010-11 and later in early July 2011, this was raised to 65 lakh bales. However, later that month restrictions on shipments were lifted as domestic cotton prices came down after reaching record levels in March and April.

Some textile mills have been demanding restrictions on cotton exports to make domestic supply of this key raw material more affordable to help them cope with the slowdown in overseas demand for textile products bringing down their

exports. However, the official view seems to be that even after the cut in the production forecast, it is still higher than last year's 325 lakh bales. Although there is a fresh pick-up in mill demand, it does not warrant any curb on cotton exports as of now since domestic prices are at reasonable levels, it is stated. The Textile Commissioner is quoted to have stated that mill usage will rise as yarn prices have started looking up in the last one month while cotton prices have been stable. He is quoted to have added that there does not appear to be any need for any kind of export restrictions now, although some mills may be demanding it. The trade circles are also said to be of the view that cotton prices are at reasonable levels which is to be welcomed. Meanwhile, Chinese purchasers from India are set to pick up which will ultimately boost returns for farmers. Therefore, export restrictions will not serve any purpose, it is stated.

Production of Spun Yarn (SSI & Non- SSI)

(In Mn. Kgs)

MONTH/ YEAR	PRODUCTION OF YARN			
	COTTON	BLENDED	100% N.C.	G. TOTAL
2000-01	2266.87	645.80	247.55	3160.22
2001-02	2211.88	609.03	280.15	3101.06
2002-03	2177.16	584.61	319.61	3081.37
2003-04	2120.71	589.33	341.76	3051.80
2004-05	2272.26	584.97	366.29	3223.52
2005-06	2520.87	588.11	349.31	3458.29
2006-07	2823.59	635.10	354.60	3813.39
2007-08	2948.36	677.11	377.75	4003.22
2008-09	2896.15	654.89	360.95	3911.99
2009-10	3078.97	707.31	407.15	4193.43
2010-11	3490.00	796.00	427.00	4713.00
2011-12 (P)				
April-11	268.03	72.47	37.11	377.61
May-11	254.55	66.90	34.80	356.25
June-11	248.29	64.34	39.14	351.77
July-11	261.58	66.02	37.72	365.32
August-11	261.66	69.59	38.24	369.49
September-11	258.65	65.40	41.39	365.44
October-11	242.10	61.54	37.51	341.15
November-11	228.89	62.87	36.79	328.55

P - Provisional

Source: O/o the Textile Commissioner, updated on 10.01.2012

SNIPPETS

Growth of the eight core sector industries reportedly slowed down to 3.1 per cent in December. This was only half the growth recorded in the previous month. The overall growth during the nine-month period from April to December was 4.1 per cent, again lower than the growth of 5.7 per cent recorded during the corresponding period of 2010-11. The eight core sector industries have a combined weight of 37.9 per cent in the index of industrial production. The eight core sector industries are coal, crude oil, natural gas, refinery products, steel, cement and electricity.



A new cotton hybrid, Pancham-541, developed by a private seed company, from indigenous germplasm, is reported to have been found to be capable of giving high yield under rainfed condition. The hybrid stated to have been field tested on 25,000 hectares under different agro-climatic conditions before its launch for commercial cultivation. Besides high yield potential, the hybrid is claimed to be resistant to pests, particularly sucking pests, and also tolerant to diseases. The hybrid is said to have already gained popularity in parts of Maharashtra and Andhra Pradesh under unirrigated conditions.



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
February 2012

Sr. No.	Grade Standard	Staple	Micronaire	Strength/GPT	Trade Name	4 th	6 th	7 th	8 th	9 th	10 th
03.	ICS-102	22mm	4.5-5.9	19	V-797	7030 (25000)	7171 (25500)	7114 (25300)	7255 (25800)	7255 (25800)	7255 (25800)
04.	ICS-103	23mm	4.0-5.5	19	Jayadhar	N.A.	N.A.	N.A.	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 Deshi (RG)	10095 (35900)	10095 (35900)	9983 (35500)	9983 (35500)	9926 (35300)	9926 (35300)
02.	ICS-201	Below 22mm	5.0-7.0	15	Bengal Deshi (SG)	10376 (36900)	10376 (36900)	10264 (36500)	10264 (36500)	10208 (36300)	10208 (36300)
05*.	ICS-104	24mm	4.0-5.5	20	Y-1	9195 (32700)	9364 (33300)	9308 (33100)	9308 (33100)	9308 (33100)	9308 (33100)
06.	ICS-202	25mm	3.5-4.9	23	J-34	9533 (33900)	9701 (34500)	9701 (34500)	9617 (34200)	9617 (34200)	9589 (34100)
09.	ICS-105	28mm	3.5-4.9	25	H-4/ MECH-1	9898 (35200)	9898 (35200)	9842 (35000)	9842 (35000)	9842 (35000)	9758 (34700)
10.	ICS-105	29mm	3.5-4.9	26	Shankar-6	10264 (36500)	10376 (36900)	10348 (36800)	10292 (36600)	10264 (36500)	10179 (36200)
11.	ICS-105	31mm	3.5-4.9	27	Bunny/ Brahma	10236 (36400)	10404 (37000)	10348 (36800)	10348 (36800)	10320 (36700)	10264 (36500)
12.	ICS-106	33mm	3.3-4.5	28	MCU-5/ Surabhi	10770 (38300)	10770 (38300)	10770 (38300)	10770 (38300)	10770 (38300)	N.A.
13.	ICS-107	35mm	2.8-3.6	31	DCH-32	13582 (48300)	13582 (48300)	13526 (48100)	13526 (48100)	13498 (48000)	13779 (49000)

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