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Cotton Area Likely to Shrink this Year Over Poor Prices

Cotton sowing will fall this year by 10 percent across India as farmers have not got higher returns when compared to the previous year - Cotton Association of India President Shri Dhiren N Sheth. A stable export policy could help keep acreage stable and provide remunerative prices to farmers.

Disappointed with lacklustre prices, farmers could scale back cotton acreage by 10 percent this year. They could shift to more profitable crops like guar and groundnut, say agriculture department officials in five major cotton growing States.

Cotton forms a third of India's farm GDP and the textiles industry is the country's largest employer in the manufacturing sector. India is the world's second largest producer, exporter and consumer of cotton.

In 2011-12, farmers planted 12.19 million hectare with cotton, up 1.05 lakh hectare from the previous year. State agriculture officials across Gujarat, Maharashtra, Andhra Pradesh, Rajasthan, Punjab and Haryana said farmers would prefer groundnut, guar and maize over cotton.

It is early to say how much area will be under cotton but some area will go to groundnut sowing owing to an increase in its demand this kharif season, Gujarat's Principal Secretary (Agriculture) Shri R.K Tripathi said.

Similarly, Andhra Pradesh farmers may opt for maize, said the State's Agriculture Joint Director Shri M Chandra Prakash. Cotton yields fell drastically as it was hit by a drought in 2011-12. Farmers may move to the 120-day short-duration maize crop rather than the 180-day cotton crop, he said.

Around 56 percent of arable land in Andhra Pradesh and 18 percent in Maharashtra are rain-fed. Thus monsoon rains might change the scenario. Cotton sowing in the two States begins in June after the first monsoon showers and continues till early August. If monsoon rains are delayed, farmers will have to

go for maize sowing. Currently, cotton yield in the State is the lowest in the country as only 3 percent area under cotton is irrigated, said an agriculture official from Maharashtra, which is the second largest producer of cotton after Gujarat.

Cotton yield per acre in Maharashtra in 2011-12 was at 262 kg lint per hectare compared to 1,260 kg lint per hectare in Rajasthan. In the irrigated belt of Punjab and Haryana, where kharif sowing begins as early as May, farmers may opt for guar, which is fetching Rs 14,000 to Rs 15,000 per quintal compared to Rs 4,000 per quintal for cotton.

Prices of the Shankar 6 growth, which touched a record high of Rs 64,000 a candy in the 2010-11 season (October-September) are now in a range from Rs 34,500 to Rs 35,000 a candy in Gujarat. Cotton prices will remain stable as orders from China and Bangladesh have started coming. According to market sources, 17 lakh bales have been booked for export in March. Farmers are holding a big crop and currently offloading poor quality cotton, a reliable source indicated. About 65 lakh bales (of 170 kg each) have been exported to China, Bangladesh, Vietnam, Pakistan and Indonesia in this marketing season till date, the source added. Demand for cotton is stable in the domestic industry as mills are getting order from Europe, said ginners. Mills are consuming 17 lakh bales every month while 14 lakh bales are bought by small-scale industries.

(Source: Economic Times - 27.02.2012)

GOVERNMENT PROHIBITS EXPORT OF COTTON

By Notification No. 102 (RE-2010)/2009-14 dated 5th March, 2012 issued by DGFT, the export of cotton [ITC(HS) Codes 5201 & 5203] has been prohibited till further orders. Further, the Government has notified that transitional arrangements will not be applicable for the export of cotton and export against registration certificates already issued will also not be allowed.

Co-operative Societies Allowed to Trade in Comexes

It is reported that the Government has allowed Co-operative Societies to act as "authorised persons" and take positions in futures exchanges, liberalising the commodity derivatives market further. Despite having a huge member base, so far co-operatives were barred from participating in commodity futures exchanges due to lack of hedge facilities. With the present decision, co-operative societies and federation such as National Agricultural Co-operative Federation of India (NAFED) and Haryana State Co-operative Supply and Marketing Federation (HAFED) may now be able to reap the benefit of futures exchanges through direct trading. It is stated that there are over ten million farmers registered with the three Co-operative Societies including the Gujarat Co-operative Milk Marketing Federation, popularly known as Amul. The present decision is expected to bring in higher profit for small and marginal farmers.

Until now, Co-operative Societies and Federations were selling goods by aggregating from small and marginal farmers and selling to bulk consumers and stockists through auctions. Therefore, farmers' realisation varied depending on the demand during the auction time. Farmers, in turn, were relying on the guidance by their respective co-operative managers, who used to issue advices on the movement of goods. Thus, the overall realisation by farmers was lower than the prevailing market price, resulting in a loss to them. Most farmer organisations were surviving on Government funding. Now, they would be able to hedge the commodity risk on futures exchanges, which is expected to help in boosting their overall holding capacity and realisation.

Under the amended guidelines recently issued, the commodity derivatives market regulator has expanded the base of aggregators known as "authorised persons" and incorporated Co-operative Societies to act as sub-brokers on the commodity futures exchanges. An 'authorised person' can be an individual, partnership firm or corporate body appointed as a member of a recognised commodity exchange for providing access to the trading platform as an agent of the members of the commodity derivatives exchange. According to experts, this is a good move which will allow small and marginal farmers direct participation in commodity exchanges, something which they cannot do now.

Direct participation by farmers has been low on commodity futures market due to two obvious reasons. They are unable to pay the high one-time membership fee and keep margins with exchanges which may or may not yield good returns in future. Since their financial capacity is uncompetitive, they are afraid of taking risks in commodity futures. The lot size of commodities is bigger than the entire produce of many small and marginal farmers. However, with the latest guidelines, they can take a calculated and accumulative risk to share profits as well as losses in the proportion of the quantity of their produce. Further, a consortium of farmers can now appoint skilled staff members, deploy technology and facilitate ticker boards in major centres for the benefit of members. Trading fraternity is of the view that while by virtue of their limited role now, this is one way to open the market for small farmers. This direct participation by farmers will also significantly increase on the exchange platform.

Courtesy Visit of Mr. Muhammad Atif Dada, Immediate Past Chairman, The Karachi Cotton Association on 23rd February 2012



Rs.4,000 Crore Package for Boosting Cotton Productivity in Maharashtra - Report

The centre is reported to be contemplating to launch a package scheme for boosting the productivity of cotton in Maharashtra. The entire package expected to cost Rs.4,000 crore, it is stated, will have irrigation as one of the most critical elements to help boost productivity levels in cotton growing areas in the State. The Ministry of Agriculture is said to be pushing the Ministry of Finance to include the scheme in the Budget allocation for the coming financial year 2012-13.

It is well known that productivity of cotton in Maharashtra is significantly lower than in the neighbouring State of Gujarat, and the Agriculture Ministry's view is that this is mainly due to the lower percentage of irrigated cotton in Maharashtra, whereas Gujarat has a huge network of check dams which are responsible for adequate water availability. It is stated that the package is among the few new features that the Ministry of Agriculture has proposed to the Finance Ministry for inclusion

in the forthcoming Budget. As per reports, while the overall allocation is expected to rise marginally from Rs.17,523 crore, the Agriculture Ministry is said to be seeking to allocate more funds to the proposed green revolution in the Eastern States as well as cotton growers of Maharashtra.

The contrast between Gujarat and Maharashtra is evident from the fact that while the share of irrigated cotton land in Gujarat is 50 percent of the total cotton area, that share in Maharashtra is less than five percent. As a result, the net cost of cotton growing in Gujarat is much lower than in Maharashtra. An official of the Union Ministry of Agriculture is quoted to have expressed the view that one of the interventions that the Government can make is to provide irrigation facilities, such as, through drip irrigation, check dam and farm ponds. Instead of stretching the period of completion of these to about ten years, they need to be completed in about ten months or so, it is emphasised.

Number of Mills and Capacity Expand in the Textile Sector in Last Decade

The textile industry has been gradually expanding over the years with the number of established mills and their installed capacity making consistent growth. The growth in the number of cotton/man-made textile mills during the 2000s can be seen in the data presented below as available from the office of the Textile Commissioner.

Year ending March	No. of Mills		
	Spinning	Composite	Total
2001	1565	281	1846
2002	1579	281	1860
2003	1599	276	1875
2004	1564	223	1787
2005	1566	223	1789
2006	1570	210	1780
2007	1608	200	1808
2008	1597	176	1773
2009	1653	177	1830
2010	1673	180	1853

It will be seen that 108 new spinning mills were established in the last decade. In the case of composite mills, the number has gone down by 101 between 2001 and 2010. In this connection, it may be stated that composite mills have been finding it tough to survive the competition from powerlooms as the latter manufacture and market their products at a much lower price compared to composite mills

for various reasons. Quite a few mills have been forced to close down for this reason. In fact, only those mills which were able to maintain superiority in quality and variety and remain price competitive with powerlooms have been able to survive and even expand to some extent.

Expectedly, the expansion in spinning capacity has also taken place commensurate with the number of mills in place. The year-wise position in spinning and weaving capacity is given below:

Year ending March	Installed Capacity		
	Spindles (Mn)	Rotors (000)	Looms (000)
2001	35.53	394	123
2002	35.75	409	123
2003	36.10	379	119
2004	34.02	383	88
2005	34.24	385	86
2006	34.14	395	73
2007	35.61	448	69
2008	35.01	461	56
2009	37.03	485	57
2010	37.68	494	57

It will be seen that the number of spindles has gone up by 2.15 million and Rotors by 100,000 between 2001 and 2010. On the other hand, the number of looms has gone down by 66,000.

SNIPPETS

India's exports grew by 10.1 per cent year-on-year in January to USD 25.34 billion despite weak demand in the Western markets, reversing a declining trend shown since the peak of July 2011.

However, the exports growth rate was a marginal increase over December 2011. The shipments had grown by 6.7 per cent year-on-year in December 2011.

Imports grew at a faster rate of 20.25 per cent to USD 40.1 billion, leaving a trade deficit of USD 14.76 billion, according to the Indian Commerce Ministry data released here Thursday. From a peak of 82 per cent in July 2011, export growth has slipped to 44.25 per cent in August 2011, 36.36 per cent in September 2011 and 10.8 per cent in October last year.

But, for the cumulative April-January period, exports aggregated to USD 242.79 billion showing a healthy growth of 23.47 per cent, thanks to sterling trend witnessed in the previous months of the current fiscal.

Imports during the 10-month period stood at USD 391.45 billion, an increase of 29.4 per cent. The trade gap aggregated to USD 148.66 billion.

India's Commerce Secretary Rahul Khullar has said that the exports and imports may touch about USD 300 billion and USD 460 billion, respectively. The balance of trade would be around USD 160 billion. He has also cautioned that the exporters community would face demand problem in 2012-13 as well.

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 - March 2012

Sr. No.	Grade Standard	Staple	Micronaire	Strength/GPT	Trade Name	25 th	27 th	28 th	29 th	1 st	2 nd
03.	ICS-102	22mm	4.5-5.9	19	V-797	7255 (25800)	7171 (25500)	7171 (25500)	7171 (25500)	7311 (26000)	7311 (26000)
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 Desi (RG)	9336 (33200)	9336 (33200)	9336 (33200)	9336 (33200)	9476 (33700)	9617 (34200)
02.	ICS-201	Below 22mm	5.0-7.0	15	Bengal Desi (SG)	9617 (34200)	9617 (34200)	9617 (34200)	9617 (34200)	9758 (34700)	9954 (35400)
03.	ICS-102	22mm	4.5-5.9	19	V-797	-	7452 (26500)	7452 (26500)	7452 (26500)	7592 (27000)	7592 (27000)
05.*	ICS-104	24mm	4.0-5.5	20	Y-1	9280 (33000)	9223 (32800)	9223 (32800)	9223 (32800)	9280 (33000)	9280 (33000)
06.	ICS-202	25mm	3.5-4.9	23	J-34	8605 (30600)	8464 (30100)	8492 (30200)	8520 (30300)	8605 (30600)	8830 (31400)
09.	ICS-105	28mm	3.5-4.9	25	H-4/ MECH-1	9251 (32900)	9139 (32500)	9139 (32500)	9167 (32600)	9251 (32900)	9420 (33500)
10.	ICS-105	29mm	3.5-4.9	26	Shankar-6	9645 (34300)	9561 (34000)	9561 (34000)	9589 (34100)	9673 (34400)	9842 (35000)
11.	ICS-105	31mm	3.5-4.9	27	Bunny/ Brahma	9786 (34800)	9701 (34500)	9701 (34500)	9701 (34500)	9786 (34800)	9954 (35400)
12.	ICS-106	33mm	3.3-4.5	28	MCU-5/ Surabhi	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
13.	ICS-107	35mm	2.8-3.6	31	DCH-32	13301 (47300)	13216 (47000)	13216 (47000)	13216 (47000)	13216 (47000)	13357 (47500)

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