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Cotton Futures in India - Fulfilling a Critical Economic Need

GUEST COLUMN

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Cotton in a historical perspective

India held world monopoly in the manufacturing of cotton textiles for about 3,000 years from about B.C. 1500 to A.D. 1500. In the middle ages, Indian cotton textile products such as muslins of Dhaka, baftas of Cambay and gold-wrought cotton piece goods of Burhanpur, Surat and Vadodara were in great demand in the Eastern and European markets and acquired a worldwide celebrity status by virtue of their quality and design (source: Human Geography: Energy Resources, Pradeep Sharma, Published by Discovery Publishing House, 2007).

The first modem cotton textile mill was set up in 1818 in Kolkata. Subsequently more mills were set up in Mumbai, Ahmedabad and elsewhere. The industry continued to progress till the outbreak of the First World War in 1914. By then, the total number of mills reached 271 providing employment to about 2.6 lakh persons.

At the time of Independence in 1947, India was producing 2.3 million bales of short and medium staple cotton from 4.4 million hectares. However, the long and extra-long staple cotton was imported as the area producing such quality was left to Pakistan. To encourage the production of cotton and reduce the reliance on imports, Indian Government in 1950 launched the "Grow More Cotton" programme. During last few decades, the country's cotton production has improved remarkably, more so with the introduction of the BT cotton variety (Source: World Cotton Research Conference, 2007).

Status of the cotton crop

Area under cotton cultivation currently constitutes almost 9% of the total area under agriculture in India; which has the largest area under cotton (12 million hectares) in the world constituting 35% of the total world cotton area. The country in 2014-15 surpassed China to become the largest producer of cotton, according to the

US Department of Agriculture (USDA). India's production is expected to be 30.5 million bales (480 lbs each) compared with China's 30 million bales in 2014-15 according to the USDA. India is also the second largest consumer and exporter of cotton in the world, after China and USA respectively.

What is more significant about cotton cultivation in India is that the cultivation is widespread, spanning across 10 different cotton growing states having diverse agro-climatic conditions from arid to semi-arid to high rainfall areas. Due to large domestic production, cotton has a 75% share in total fibre consumption in India. In contrast to the world consumption pattern of textile fibres, which is tilted towards non-cotton fibers in the ratio of 3:4, the consumption ratio in India is 2:1 in favour of cotton.

Importance of cotton in India

Cotton is one of the principal crops grown in India and accounts for a third of India's farm sector GDP. This crop is also called 'white gold' because of its economic significance. A large number of rural families in 10 states depend on cotton for their livelihood. It is a basic raw material for the textile industry, which has an overwhelming presence in the economic life of the country. The Indian textile industry is extremely varied, with the hand-spun and hand-woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralised power-loom / hosiery and knitting sectors form the largest section of the textile sector.

The close linkage of the industry to agriculture and the ancient culture and traditions of the country make the Indian textile sector unique among all countries. The textile sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the nation's economy. It is also one of the largest contributing sectors of India's exports. The Report of the Working Group constituted by the Planning Commission on boosting India's manufacturing exports during 12th Five Year Plan (2012-17), envisages India's exports of Textiles and Clothing at USD 64.41 billion by the end of March, 2017. The textiles industry accounts for 14% of industrial production, which is 4% of GDP; employs 45 million people and accounts for nearly 11% share of the country's total exports basket (Source: Ministry of Textiles).

Economic utility of cotton futures

Commodities, by their inherent nature, suffer from exposure to uncertainty and volatility in prices. Indeed, the impact of price volatility on the real economy is the greatest in the commodity sector. Since the commodity price volatility touches virtually every economic entity—from individuals, to organisations, to the economy—risk management in the commodity economy assumes a great importance. Individuals need to manage this risk to protect their real incomes, firms to protect their bottom-lines and competitiveness, and the economy to protect its macroeconomic stability. Annualised volatility in cotton prices during each crop year are provided in the Table 1.

Table 1:
Volatility of Indian Cotton Prices*

Crop Year (Oct-Sep)	Annualised Volatility (%)
2011-12	18%
2012-13	15%
2013-14	15%
2014-15#	18%

** Near-month continuous MCX futures prices are considered. # - Till Feb, 2015*

Volatile raw material and commodity prices affect every industry. For companies exposed to commodity price risks, unchecked volatility can quickly wipe out their profitability. To overcome the impact of volatile commodity prices, various techniques have been tried and tested with varying degrees of success. The problem of volatile commodity prices is more pertinent in agricultural commodities whose production is cyclical and price dependent on a host of factors such as domestic and export demand, government policies and the natural and geographical factors connected to the commodity.

Although cotton as a commodity has great significance for the Indian economy, it too encounters the problem of uncertainty and volatility in prices. In case of domestically produced cotton, which not only finds use in domestic mills but is also exported to countries such as China and Bangladesh, the commodity faces competition from imports and prevailing prices in international markets. Since India has opened up its markets for import and export of cotton, the textile industry is totally free to source its cotton requirements from any part of the world. Consequentially, there has been significant increase in cotton imports, even

though India is the largest producer and second largest exporter of cotton. The prices in India are governed by the demand and supply of cotton in the world market and, therefore, the volatility in international market has a spillover impact on Indian markets.

Hence it is important for all stakeholders of the cotton industry – farmers, exporters and millers - to undertake appropriate risk management in order to stay profitable and competitive. In this context, hedging using futures contracts has emerged as both an effective and cheap way to manage cotton price risk.

The 2014-15 cotton marketing season, which began from October 1, has seen a significant shift in crop fundamentals, on account of the decision of the largest importer China to limit cotton imports, which resulted in excess supply across the global markets. This resulted in a sharp fall in prices as the season progressed. The physical market participants like ginners, millers, yarn manufacturers, exporters , etc. can lock in prices by hedging on the exchange, which will enable them to manage their price risk effectively.

Importance and benefits of hedging

Thanks to commodity exchanges such as MCX, market-based tools such as cotton futures are providing the most effective risk management practices today. By enabling the users to lock in the market prices that they encounter, hedging enables them to manage their risks arising from price volatility. Besides, the existence of futures market is beneficial for the farmers/agriculturists irrespective of their direct involvement in futures trading. By efficiently 'discovering' the prices and disseminating them across the markets, a futures market enables stakeholders to form an idea about likely future prices and thus estimate future returns on their produce/ economic activities. In the process, it aids their decision-making on sowing, warehousing, timing of sales, etc.

Apart from this, there are several other indirect benefits that might accrue to farmers. Globally, it is said that while standardised and large size contract may not meet farmers' direct need for selling on futures market, the prices of futures market does have a stabilizing effect on the spot market where the farmers sell and accordingly benefit non-participants of futures market as well. There have been a number of empirical studies which have documented the benefits of hedging and impact of commodity futures market (Box 1)

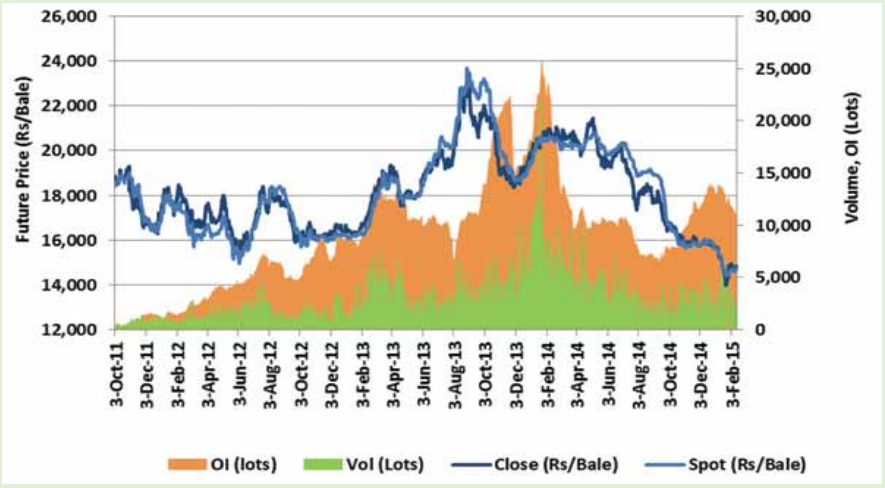
Box 1: Evaluation studies on the impact of commodity futures trading

a) Study by Deloitte India (2013): Commodity futures market directly generates employment for around 1.5 million personnel in India - 0.93% of India's service sector labour force.
b) Study by IIM Calcutta and NISTADS, New Delhi (2012): MCX Mentha Oil futures facilitated the rise of India as major exporter of processed mentha crystals – transitioning from raw material exports.
c) Study by Tata Institute of Social Sciences (2012): MCX platform has ensured stable and fair prices for the SMEs. Fairer prices reduce the cost of production and import bill, boost growth of the SMEs and provide accurate demand-supply signals that reduce risks in SMEs.
d) Study by UNCTAD (2009): Number of intermediaries in Mentha value chain has reduced after introduction of futures market, reducing the price spread in the marketing channel from 11-12% to 7.5-10.5%. In the case of cardamom, it has helped to stabilise prices in the spot market.
e) Study by IIM Lucknow (2007): Potato and Mentha Oil markets showed substantial improvements in increased price realization to farmers during the period after the introduction of futures.

Significance of MCX cotton futures

Understanding the need of the Indian cotton value chain participants to hedge their risks, the country's largest commodity exchange, MCX commenced futures trading in cotton on October 3, 2011. The MCX cotton contract with 25 bales as the trading unit has a basis staple length of 29 mm, with facility to deliver 27 mm – 31 mm at appropriate discounts / premiums. MCX Cotton contract is unique in that it is based on internationally accepted technical specification of cotton, while the basis along with a deliverable range represents more than 75 per cent of the cotton grown in the country. To address the demands of cotton stakeholders, some changes were brought in the contract specifications of the cotton contract in late 2014, which included, among others, the creation of more delivery centers. MCX cotton is a compulsory delivery contract with the provision to deliver at Rajkot, Kadi (Gujarat), Yavatmal, Jalna,

Jalgaon (Maharashtra), Bhatinda (Punjab), Sirsa (Haryana), Beawar (Rajasthan), Guntur (Andhra Pradesh) and Raichur (Karnataka).



The industry has responded with increased participation in the cotton futures trade, as is evident from the volume and turnover figures. Between 2012 and 2014, the average daily volume of the cotton contract traded on MCX has increased by a compound annual growth rate of 78 per cent, while the average daily open interest has grown by a compound annual growth rate of 57 per cent; thereby, proving high hedging interest in this contract. Moreover, the contract has the least trading cost among those offered by the Indian commodity exchanges.

MCX Cotton Performance

Crop Year	Total	Avg. Daily	Peak
	Volume (Bales)		
2011-12	8,475,500	28,537	111,850
2012-13	19,241,925	64,788	200,650
2013-14	31,033,075	112,033	556,000
2014-15*	7,416,500	70,633	160,800
	Value (Rs Crores)		
2011-12	14,654	49	204
2012-13	36,199	122	387
2013-14	61,918	224	1,162
2014-15*	11,527	110	233
	Open Interest (Bales)		
2011-12		79,996	180,700
2012-13		246,388	349,525
2013-14		344,183	644,500
2014-15*		281,769	349,400
	Total Delivery (Bales)		
2011-12	80,500		
2012-13	154,700		
2013-14	76,000		
2014-15*	54,200		

** - Till February, 2015; Crop Year: Oct - Sep*

It has been found that exchange-traded cotton futures in India lead to efficient discovery of cotton prices. This is proven by the convergence of physical and futures prices at the time of expiry of the cotton contracts. Besides, the healthy correlation between the international benchmark cotton prices of the Inter-Continental Exchange at USA and MCX cotton prices, also proves the efficiency of MCX to not just discover the local cotton prices but also in providing an efficient hedging platform to the cotton exporters and importers. As per data of the Cotton Corporation of India, the country exported 129 lakh bales of cotton in 2011-12 and 80 lakh bales of cotton in 2012-13, an indicator to the huge price risk of the cotton exporting community.

Concluding remarks

Hedging cotton price risk using the futures market is not a new phenomenon in India. The world's first modern commodity exchange, the Chicago Board of Trade (CBOT) started offering futures-like derivatives products in 1865. Within a decade, India's first commodity futures exchange was set up, the Bombay Cotton Trade Association Ltd, which, as the name suggests, offered cotton futures to enable cotton traders and other stakeholders to manage their price risk.

The risk in cotton trade has not diminished over the century; in fact it has increased, thanks to the globalisation of India's cotton trade. Thus, cotton price risk management is crucial for stabilising incomes–of corporates, individuals (especially farmers) and the economy. Even if reducing risks may not always improve earnings in the short run, failure to manage risks has direct repercussions on the risk-bearers' long–term incomes, market stability and, in case of cotton, fibre security. The importance of risk management against cotton price uncertainty, therefore, is a critical requirement, which cannot be undermined.

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

SITC and Logistics

GUEST COLUMN

Peter Wakefield

Managing Director, Wakefield Inspections Services, Chairman of the Committee for International Cooperation between Cotton Associations & former President of the ICA

Born In the UK, Peter Wakefield began his career with the Associated Surveyors and Test Laboratories Co., Ltd, Thailand, and then moved on to the Taiwan office of Edward T. Robertson & Son. He returned to the UK as the European Manager of the company. In 1993, Wakefield Inspections Services, was formed with him as the Managing Director. On completion of his term as President of the ICA in 2006, he was invited to become the Chairman of the "Committee for International Cooperation between Cotton Associations". In 2007, he decided to re-locate to Shanghai where he resides and works to date.

How do these two topics of Standard Instrument Testing of Cotton (SITC), often referred to as High Volume Instrument Testing (HVI), and Logistics become one subject? Normally, they are considered as two independent items in the general cotton trade. However, if we are looking at the ability to deliver cotton of a specified quality to a textile mill quickly, within a tight delivery window, with all documentation completed accurately, and at low cost, then these two subjects together are critical to competitive success.

If we are to achieve this, we must look first at quality. In reality, is it not too late in the logistic chain for a spinning mill to be drawing samples from bales of cotton once they are delivered to the mill warehouse. To check the quality of the bales, the spinner may need to un-stack the bales to draw samples to be passed to his laboratory, then re-stack the bales whilst he is awaiting the quality results. He must wait while the samples are conditioned for SITC/HVI testing, then tested, and then he has to calculate the order in which to consume the cotton. So once that calculation is made, potentially more un-stacking and re-stacking – and more cost. What if he finds the quality of the shipment he ordered is not exactly as he ordered, maybe it is a little better, or a little worse? Both aspects will affect the specification of the yarn that he requires for his customer. Let us not forget that cotton is a natural product, there are many factors that will determine the quality. What does the unfortunate spinner with the wrong quality of cotton do? He must then re-organise the consumption of the bales, hold some bales back in the warehouse, increase his inventory and make a prompt delivery purchase to fill the gaps. There is no advantage to a spinner in these non-efficient actions.

The main point is the efficiency of getting the right quality of cotton to a spinning mill quickly, being prepared for the tight time windows, getting the quality on a per bale basis prior to the bales arriving at a mill, getting the bales unloaded on the correct day and stored in the correct order, to go directly into the opening room.

To be efficient in today's world, many factories will only build an inventory when they believe that stock piling is the order of the day, for most of the time they will be looking to take delivery "just in time". Even when building an inventory, there is the additional cost and time that must be expensed if re-checking the quality once the cotton has been delivered.

Today, with the exception of cotton from a few countries, the only way we can achieve giving the receiver a detail of the quality he is to receive is via private organisations such as my own, sampling and classing the cotton at some point during the transportation chain. Sampling is arranged during the unloading from one conveyance, testing manually for limited quality parameters or fully via SITC/HVI. At the time of re-loading to the final truck or container, selected bales are then loaded. This also incurs costs.

This brings us to the point about country wide, origin applied, fully operational SITC/HVI operating systems. A fundamental change is required outside of the few countries that use SITC/HVI to test every bale of cotton that is produced. SITC/HVI testing levels must be increased to levels that would allow for an accurate quality to be determined for all the bales traded. Many countries only test a very small percentage of the bales via SITC/HVI and in our opinion this needs to increase. This involves setting up a system where there is independent verification of sampling of each and every bale in a cotton

gin, verification that the handling, recording and transport of the sample is 100% correct – i.e. sample integrity. The samples must then be sent to regional laboratories for independent classing by SITC/HVI to ensure that an accurate assessment is made of the quality of each bale. In addition, a central data base should be set up to collate the test data from each of the laboratories.

To have efficiency one must start at the source and in this value chain it all begins with the bale of cotton. I have heard many times that "in my country we do this, or we do that so 100% SITC/HVI is a waste or is too expensive, or is not needed". Yes, 50 or even 20 years ago, those systems may have been exactly as was needed, or because of some peculiarity within the domestic trading system it was needed. But today the market is global, we need to adapt - we may not like it -but to be efficient we need to adapt to the changes that globalisation is bringing and we need to standardise.

Bringing true, accurate and most importantly "trusted" quality reports to the value chain right at the beginning, with samples taken when the bale is being formed, will bring the maximum efficiency to the value chain. A cotton sample drawn at the time the bale is produced can be transported to a "trusted" laboratory for analysis. If the bale is also, at the time it is created, given a permanent numeric identity then the quality that has been assigned to that bale will remain with that bale throughout its short life to the time that it is fully opened and consumed in a spinning mill.

The spinner who ultimately receives the bale, can be informed in advance of the quality of each bale that is in a container that he has purchased, he can arrange the delivery of those containers in a specific order so that on arrival at his mill, he can warehouse the bales exactly in the most efficient order for eventual delivery to his opening room and to utilise the cotton. Consider the costs he has saved by not having to store, move, sample, test, move again the bales. Many within the value chain also have the access to this quality information, the local traders, the international merchants, the agents, but there is more.

There are efficiency enhancements for the origin countries as well. We have a bale with a known quality, at a fixed location, at a fixed time at a gin. Initially, the cotton gin can take the results and utilise them to modify the setting at the gin to maximise the quality of the lint produced from the seed cotton available. Slow down, speed up, additional drying, less drying, and so on.

From here, systems may be developed to work the quality characteristics backwards to the farmer. The farmer, or the regional agronomist, can take the quality results and the weather data during the season and understand how to make changes in the following season to maximise not only the yield for the farmer but also the quality. The better the quality he grows, the better his price. On a national level, the more efficient a farmer, a ginner, a trader, even the logistics providers, the more efficient we all are, the more profitable our businesses become.

Are these systems complicated – Yes. Can we adopt a one size fits all policy – No and we do not need to. Once we accept the fact that we do need to standardise the quality determination, a system can be adapted to suit the requirements of any country. Some countries may decide that a nationally owned and operated system is required, some consider may that it is best for the independent trade to set up privately owned and operated systems, or, as our own company has, joint ventures can be established with Government entities thus we have a public / private partnership program in place.

Can we take this a step further? With today's technology does it not make sense to link SITC/HVI labs together to be able to provide immediate results? Why not look at a system where a merchant, spinner, trader can access a database of samples and select the cotton bales they wish to purchase, instead of waiting for the cotton to arrive and then note what qualities are within the shipment? The results certified must be given a "shelf life", then be re-tested to ensure that at any time and place the up-to-date quality parameters are available. The World Cotton Contract in that sense could play a very important role in creating efficiency and allow for "just in time" delivery.

Could one not only have a trading platform that allows for a liquid market, but also provide anyone taking a position in the market to know exactly what quality of cotton they are trading against? For example, clients could select bales in advance for a specific contract. Should they wish to use this as a hedge or trading tool that is fine, but if they intend to take delivery, then they know exactly what the qualities of the individual bales are, and potentially save themselves from having bales claimed against, or even rejected at the time of delivery.

How about taking this a step further by allowing access to a database of bales that are stored within

the deliverable locations and allow the potential clients to select which bales they would like for their shipment? A spinning mill could effectively ensure that the bales arrive in a specific order and go directly to laydown. One could not get more efficient than that.

Reverting back to logistics, eliminating needless paper work must be a continued goal for all producing and consuming countries. Again given technology today there is no reason that all documentation could not be electronic and the need for physical paper eliminated. Let us take a look at one document that is required for cotton – the phytosanitory certificate. But let's think about this - why do we need this document for each shipment that moves from country to country? The phytosanitory practices from each country do not change for each individual shipment of cotton – that would simply be too costly – no, the procedures are set by local statute, they are the same for each shipment made. Should we not eliminate these individual certificates, have one "approval" from one sovereign State to the other that they accept their phytosanitory procedures, even for a fixed or renewable period of time? This confirmation can be electronically stored with all customs offices and confirmed that all shipment from country A may pass to country B without the need to be accompanied by a piece of paper each time. Would this not be a huge "efficiency enhancement"?

Should we not be looking to install systems so that when a truck or container (i.e. a cargo) reaches a border, or a port, all the required documentation is pre-cleared? In most instances, the cargo takes days from the point of origin to the border point. It is irrelevant if the cargo movement is by truck, by sea or by air. Customs confirmation is a different matter and if inspection is required, it can be pre-arranged – so that when a truck, or a container reaches the border point, the entry to the computer system of the truck registration number, or container number will bring up to the officers all the data that is needed for the goods to enter a country, and the decision in relation to a customs inspection being required is pre-advised. But it goes further than just the required documents that are needed to export or import a cotton shipment.

I leave you with a question. Why not link the chain? The world is seeking traceability. Why should this only be for the consumer? Why not trace a shipment from field to fabric through data exchange? Again, given the tools we have in place now, this should not be an impossible task and one in fact that we are currently working towards today within our organisation.

Courtesy : Cotton India 2014

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

World Cotton Prices
Monthly Average Cotlook A Index (FE) from 2011-12 onwards
(Cotlook Index in US Cents per lb.)

	2011-12	2012-13	2013-14	2014-15
August	114.10	84.40	92.71	74.00
September	116.86	84.15	90.09	73.38
October	110.61	81.95	89.35	70.34
November	104.68	80.87	84.65	67.53
December	95.45	83.37	87.49	68.30
January	101.11	85.51	90.96	67.35
February	100.75	89.71	94.05	69.84
March	99.50	94.45	96.95	70.71
April	99.94	92.68	94.20	
May	88.53	92.70	92.71	
June	82.18	93.08	90.90	
July	83.97	92.62	84.01	

Source: Cotton Outlook

Record Stocks Held Outside China

World production outpacing consumption and the decline in imports in 2014/15 will leave many cotton producers holding larger volumes of stock at the end of 2014/15 compared to the last few seasons. At the end of 2014/15, world ending stocks are projected up 11% to nearly 22 million tons. After increasing substantially in each of the three previous seasons, China's ending stocks are expected to remain stable reaching just over 12 million tons in 2014/15, and would account for 56% of total world stocks. Outside of China, ending stocks are forecast to increase for the second consecutive season from 7.5 million tons to 9.5 million tons, which is the largest volume of stocks in the last 35 years and is 60% of the expected mill use in 2014/15. While the gap between production and consumption has declined since 2011/12, production is projected to exceed consumption by 2.1 million tons in 2014/15 with most of the excess being held by producing countries with exportable surpluses.

After exceeding 5 million hectares in 2011/12, area in China has fallen in each of the following seasons, reaching 4.2 million hectares in 2014/15. Production is estimated down 7% to 6.4 million tons. While production has also fallen, the volume has been sufficient to meet 80 to 90% of demand, particularly as consumption has declined the last four seasons. However, much of the domestic production was absorbed by China's national reserve, and spinners relied heavily on imports from other producing countries, allowing international cotton prices to remain elevated. In 2014/15, China ended its reserve policy and in 2015 announced that it was limiting imports to the volume required under its WTO obligations. Despite moderate growth in import demand of 3% outside of China, this is not enough to offset the decline in imports by China, and as a result many exporting countries have been left with larger volumes of stock than previous seasons.

Turkey is the world's third largest importer, but like China, imports are expected to decrease in 2014/15. Consumption in Turkey is forecast to fall 4% to 1.3 million tons as mills equipped with old machinery are shut down and cotton's market share further declines as a result of the price attractiveness of synthetic fibers. At the same time, demand for imports is forecast to decrease by 13% to 761,000 tons due in part to an estimated 11% increase in domestic cotton lint production to 847,000 tons. Additionally, the antidumping case filed by Turkey against US cotton has discouraged some imports of U.S. cotton.

As the world's largest exporter, the United States is affected by the decline in China's and Turkey's imports, though demand for high quality machine-picked cotton will help to limit export losses. In 2014/15, production in the United States is estimated at 3.5 million tons, up 25% from 2013/14, and consumption is projected up for the third consecutive season by 3% to 795,000 tons. Exports are forecast to increase modestly by 2% to 2.3 million, which is less than the expected exportable surplus of 2.7 million tons from this season's crop. As a result, ending stocks in the United States are likely to increase 58% to just over 1 million tons.

India, the second largest exporter is projected to experience a significant decrease in exports this season, despite a high volume of production estimated at 6.8 million tons. Consumption is forecast to increase 4% to 5.2 million tons while production remains stable, resulting in a smaller exportable surplus. Additionally, demand from China and Pakistan, two of its three largest buyers, has fallen. Ending stocks in India are expected to increase 40% to 2.4 million tons in 2014/15 after two season of contraction.

Despite a 4% reduction in area this year and some losses from flooding, production in Pakistan is estimated up 11% at 2.3 million tons given the 15% increase in the average yield to 820 kg/ha. Imports by Pakistan are forecast to fall 9% to 367,000 tons as the current season's crop will meet most of its need with imports mostly consisting of longer staple cotton that is not available from domestic producers. In previous seasons, when domestic production was insufficient to meet local demand, Pakistan was a strong buyer of Indian cotton. However, in the current season through November 2014, imports from India are down 50%.

Given the significant rise in ending stocks, particularly held outside of China, international cotton prices have declined significantly this season. Despite consumption growing next season, it is unlikely to have a significant impact on the large stockpiles, and downward pressure on prices is expected to continue through next season. The Secretariat forecasts that the A Index in 2014/15 will range between 62 cents/lb. to 76 cents/lb with a midpoint of 68 cents/lb.

Source: ICAC COTTON THIS MONTH, March 02, 2015

SUPPLY AND DISTRIBUTION OF COTTON

March 02, 2015

Seasons begin on August 1 — Million Metric Tons

	2010/11	2011/12	2012/13	2013/14 Est.	2014/15 Proj.	2015/16 Proj.
BEGINNING STOCKS						
WORLD TOTAL	8.614	9.477	14.391	16.864	19.530	21.67
China (Mainland)	2.688	2.087	6.181	9.607	12.074	12.09
USA	0.642	0.566	0.729	0.903	0.651	1.03
PRODUCTION						
WORLD TOTAL	25.425	27.820	26.680	26.283	26.356	24.41
India	5.865	6.239	6.205	6.770	6.770	6.48
China (Mainland)	6.400	7.400	7.300	6.929	6.444	5.74
USA	3.942	3.391	3.770	2.811	3.502	3.11
Pakistan	1.948	2.311	2.002	2.076	2.300	2.05
Brazil	1.960	1.877	1.310	1.705	1.539	1.51
Uzbekistan	0.910	0.880	1.000	0.940	0.940	0.93
Others	4.401	5.722	5.094	5.053	4.861	4.58
CONSUMPTION						
WORLD TOTAL	24.508	22.821	23.766	23.495	24.222	24.66
China (Mainland)	9.580	8.635	8.290	7.531	7.960	8.00
India	4.470	4.231	4.817	5.042	5.244	5.27
Pakistan	2.100	2.217	2.416	2.271	2.308	2.37
East Asia	1.832	1.776	2.131	2.302	2.353	2.49
Europe & Turkey	1.549	1.495	1.555	1.605	1.525	1.59
Brazil	0.958	0.897	0.910	0.879	0.850	0.86
USA	0.849	0.718	0.762	0.773	0.795	0.81
CIS	0.577	0.550	0.561	0.590	0.600	0.60
Others	2.592	2.302	2.325	2.503	2.588	2.66
EXPORTS						
WORLD TOTAL	7.728	9.847	10.104	8.862	7.397	7.81
USA	3.130	2.526	2.836	2.293	2.330	2.41
India	1.085	2.159	1.685	2.014	1.076	1.41
Australia	0.545	1.010	1.305	1.037	0.560	0.39
Brazil	0.435	1.043	0.938	0.485	0.675	0.71
CFA Zone	0.476	0.597	0.828	0.926	0.857	0.96
Uzbekistan	0.600	0.550	0.653	0.650	0.605	0.59
IMPORTS						
WORLD TOTAL	7.716	9.749	9.662	8.740	7.397	7.81
China	2.609	5.342	4.426	3.075	1.537	1.95
East Asia	1.825	1.998	2.352	2.341	2.532	2.60
Europe & Turkey	0.972	0.724	0.833	1.082	0.962	0.86
Bangladesh	0.843	0.680	0.631	0.987	0.965	0.97
Pakistan	0.314	0.173	0.470	0.402	0.367	0.38
TRADE IMBALANCE 1/	-0.012	-0.098	-0.442	-0.122	0.000	0.00
STOCKS ADJUSTMENT 2/	-0.041	0.013	0.000	0.000	0.001	0.00
ENDING STOCKS						
WORLD TOTAL	9.477	14.391	16.864	19.530	21.665	21.41
China (Mainland)	2.087	6.181	9.607	12.074	12.090	11.78
USA	0.566	0.729	0.903	0.651	1.031	0.93
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA (M) 3/	50	58	47	47	59	58
CHINA (MAINLAND) 4/	22	72	116	160	152	147
COTLOOK A INDEX 5/	**164**	**100**	**88**	**91**		

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 March 2015)

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UPCOUNTRY SPOT RATES

(Rs./Qtl)

Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	Spot Rate (Upcountry) 2014-15 Crop MARCH 2015 2nd	3rd	4th	5th	6th	7th
	Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]											
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	8464 (30100)	8464 (30100)	8464 (30100)	8464 (30100)		8464 (30100)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	8605 (30600)	8605 (30600)	8605 (30600)	8605 (30600)		8605 (30600)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	6130 (21800)	6130 (21800)	6 130 (21800)	6130 (21800)	H	6130 (21800)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	7255 (25800)	7255 (25800)	7255 (25800)	7255 (25800)		7255 (25800)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	7677 (27300)	7677 (27300)	7677 (27300)	7677 (27300)	O	7677 (27300)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	8773 (31200)	8773 (31200)	8745 (31100)	8745 (31100)		8745 (31100)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	7677 (27300)	7677 (27300)	7677 (27300)	7677 (27300)		7677 (27300)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	7761 (27600)	7761 (27600)	7761 (27600)	7761 (27600)	L	7761 (27600)
9	P/H/R	ICS-105	Fine	27mm	3.5.4.9	26	8858 (31500)	8858 (31500)	8830 (31400)	8830 (31400)		8830 (31400)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	7930 (28200)	7930 (28200)	7930 (28200)	7902 (28100)	I	7902 (28100)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	8211 (29200)	8211 (29200)	8211 (29200)	8183 (29100)		8183 (29100)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	8970 (31900)	8970 (31900)	8942 (31800)	8942 (31800)		8942 (31800)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	8492 (30200)	8492 (30200)	8492 (30200)	8464 (30100)	D	8464 (30100)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	8548 (30400)	8548 (30400)	8548 (30400)	8520 (30300)		8520 (30300)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	8661 (30800)	8661 (30800)	8661 (30800)	8633 (30700)	A	8633 (30700)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	8689 (30900)	8689 (30900)	8689 (30900)	8661 (30800)		8661 (30800)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	8942 (31800)	8942 (31800)	8942 (31800)	8942 (31800)		8942 (31800)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	9336 (33200)	9336 (33200)	9336 (33200)	9336 (33200)	Y	9336 (33200)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	9617 (34200)	9617 (34200)	9617 (34200)	9617 (34200)		9617 (34200)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	11107 (39500)	11107 (39500)	11107 (39500)	11107 (39500)		11107 (39500)

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