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Ferocious Chinese Cotton Buying Spree Continues - ICAC

In its monthly release dated March 1, 2013, the International Cotton Advisory Committee (ICAC) states that China, the largest cotton producer and consumer, is forecast to produce 7.3 million tons (mt) in 2012-13 (23 percent of global production) and consume 8.3 mt (36 percent of world cotton mill use), holding eight million tonnes of cotton (47 percent of global stock) at the end of 2012-13 season. Last season, Chinese government is stated to have purchased over 3.12 mt of cotton for State reserves at well above the world market price contributing to a build-up of domestic stocks estimated at 6.2 mt at the end of 2011-12.

The ICAC adds that the buying spree continues at a ferocious rate, adding close to 6 mt of cotton between September 2012 and January 2013. According to ICAC, It is estimated that one-third of the reserve is filled by imports while two-thirds are domestic purchases. Further, it is claimed that high domestic prices and a low clearance rate of reserve auctions have fuelled imports by mills in China from USA, India, and Brazil.

The cotton sector in China is stated to have undergone significant changes in the last decade following China's entry into the World Trade Organization (WTO) in 2001. To a large extent, China's development and trade policies, ie is claimed, have been shaping the development of cotton in China. Under the WTO agreement, China permits annual imports of 894,000 tons of cotton at a duty of 1 percent and imports above quota at higher duty of 40 percent. With the expiry of Multi-Fiber Arrangement in 2005, the textile industry is stated to have expanded quickly. In response to demand from the textile industry, the government appears to have distributed additional tariff rate quotas subject to variable import duties, from 1.4 mt in 2004 to 2.7 mt in 2011, and speculated at 1.9

mt in 2012. Total cotton imports rose from 682,000 tons to 5.3 mt last year, states the ICAC.

In the recent No.1 Central Document, an annual document that details China's policies, the government is stated to have reiterated ensuring grain security and supplies of major farm products as this year's top priority. To encourage agricultural production, China, it is claimed, will continue to conduct temporary state reserves of cotton. This is stated to be the second year in which China implements a provisional cotton reserve policy to protect the interests of cotton farmers and stabilize the cotton market. With a stocks-to-use ratio of 0.97, domestic cotton consumption is almost secured, an indication that the cotton reserve buildup could slow down in the coming months, with projected total imports of 2.9 mt this season.

As for the rest of the cotton world, it is stated that no major change has been reported since the ICAC's February report. Thus, world production is expected to be maintained at 26 mt and consumption at 23 mt for 2012-13. Global production is forecast to decline 14 percent to 22 mt while consumption would remain stable at 23 mt in 2013-14.

The world cotton supply and demand as projected by the ICAC is given below:

| | (in mt) | | |
|-----------------|----------|---------|---------|
| | 2011-12 | 2012-13 | 2013-14 |
| Beginning Stock | 9.60 | 14.05 | 17.00 |
| Production | 27.44 | 26.26 | 22.56 |
| Supply | 37.05 | 40.31 | 39.56 |
| Consumption | 22.78 | 23.31 | 23.79 |
| Exports | 9.93 | 8.30 | 7.93 |
| Ending Stocks | 14.05 | 17.00 | 15.77 |

(Source: ICAC Monthly - 01.03.2013)

Cotton Continues to Rule as “King”

(Continued from last issue....)

Coming back to appropriate prices for cotton, it needs to be mentioned that the Centre has been conscious of the need to safeguard farmers' legitimate interests in order to ensure their sustained interest in growing cotton without switching over to other crops. Price fluctuations are the rule and not the exception in the case of cotton and speculators always attempt to manipulate prices to their advantage. In the prevailing situation, farmers need protection in order that their legitimate returns are guaranteed, especially as cultivation cost of cotton is relatively more than most other competing crops. Towards this objective, the Centre announces Minimum Support Prices (MSP) for all cotton varieties each year taking into consideration the recommendations of the Commission for Agriculture Costs and Prices (CACP) which computes the production cost and adds a reasonable margin of profit for the grower while suggesting MSP.

Whenever market prices go below the MSP, Government directs the Cotton Corporation of India and other approved agencies to procure cotton at the MSP and sell the same directly to mills. Losses, if any, incurred in this process are made good by the Government.

Cotton has many other uses besides spinning and weaving to manufacture fabrics. It finds application in the fields of Agriculture, Medicine, Home Products, Sports, Packing Materials, etc. The development of Technical textiles a few decades ago has widened cotton's area of application considerably.

Although India has no specific body for promotion of cotton, at the global level, the International Forum for Cotton Promotion (IFCP) has been functioning for a number of years. This has been necessitated by the increasing competition from Man Made Fibres (MMF). Hundreds of cores of rupees are invested by the chemical industries in different countries in order to develop new synthetic fibres which can excel cotton in different properties, particularly in those that make cotton the preferred fibre. These efforts have indeed been successful with the result that cotton's share in the global fibre consumption has been shrinking. While cotton was the predominant fibre before the advent of synthetic, its share is now hovering only around 35-40.

The cotton scene is never static but is a dynamic one, ever changing, with cotton gaining some times and losing at other times. New superior varieties continue to be developed by researchers and new improved farming techniques are developed that can push up the productivity further and also bring down

the cost of production. Even very recently, two new varieties have been isolated. One can hold moisture as high as three times the weight of the fibre, and the other has unusually big sized bolls which hold great potential for boosting the yield level.

While narrating the growth of and changes in the cotton world, one can never do full justice in describing them fully. However, the present piece is an attempt to narrate, in brief, the fascinating and continuing story of cotton, especially of Indian cotton. And one can be sure, its story will continue for centuries to come. And cotton will continue to rule as the “King of Apparel Fibres”.

(Concluded)

[Note: For information on different aspects in this piece, we have relied on the details given in several publications, particularly in (1) “A Hundred Years of Cotton”, published by the East India Cotton Association Ltd. (now the Cotton Association of India), (2) “White Gold”, published by the Confederation of Indian Textile Industry (CITI), and (3) Book entitled “Cotton Growing and Marketing in India” authored by K.S. Parmar and K. Ramachandran, published by Tecoya Trend in association with the All India Federation of Cooperative Spinning Mills (AIFCOSPIN). All the international data are those that published by the International Cotton Advisory Committee (ICAC) from time to time].



AEPC Sets Export Target of \$ 16 Bn. for 2013-14

The Apparel Export Promotion Council (AEPC) has set a \$16 billion garment export target for the financial year 2013-14 and accordingly submitted a proposal with the Union Commerce and Textiles Ministry in this regard to be included in the supplements of Foreign Trade Policy, which is expected to be announced shortly.

AEPC has urged Textile Minister to draw a detailed roadmap and introduce changes to policy for duty credit scrip and consider issues related to overtime, changes to FTP, recommendations on TUFs, Customs Duty and Service Tax. The council has asked to allow duty credit scrip at 5% of garment exports for export performance in the 2012-13 for issuance of duty credit scrip from the year 2013-14 and onwards.

Source: Financial Express - 14.03.2013)

Glimpses of the Mahashivratri Festival Celebrated at Colaba on 10th March 2013



New CAI Cotton Testing & Research Laboratory Inaugurated at Hubli, Karnataka

CAI has set up one more new Laboratory at Hubli in Karnataka in pursuance of its goal of providing modern testing facilities with the latest technology of international standard at all major cotton growing and consuming centres of the country.

The Hubli Laboratory was inaugurated on 16th March 2013 by Shri Lalji M. Lodaya, Chairman, M/s. Lalji Manekji Industries Ltd., Gadag. A large number of members from the local cotton trade were also present on the occasion of the inauguration. CAI President, Shri Dhiren N. Sheth alongwith Shri Pankaj Lakdawala, Director, CAI and Shri B.S. Bangdiwala, Member, CAI welcomed the guests present on the occasion.

Shri Sheth made a presentation on CAI's activities and benefits of its membership to the guests at the inaugural ceremony.

Shri Lalji M. Lodaya lighting the Lamp at the opening ceremony of Hubli Laboratory



A new Hubli Laboratory



Shri Lalji M. Lodaya inaugurating the Hubli Laboratory



A cross section of members and other guests at the inaugural of Hubli Laboratory

| 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) 2012-13 Crop March 2013 | | | | | |
| Sr. No. | Growth Standard | Grade /GPT | Grade | Staple | Micronaire | Strength | 11th | 12th | 13th | 14th | 15th | 16th |
| 1 | P/H/R | ICS-101 | Fine | Below 22mm | 5.0 – 7.0 | 15 | 10151 (36100) | 10151 (36100) | 10095 (35900) | 10151 (36100) | 10151 (36100) | 10151 (36100) |
| 2 | P/H/R | ICS-201 | Fine | Below 22mm | 5.0 – 7.0 | 15 | 10432 (37100) | 10432 (37100) | 10376 (36900) | 10432 (37100) | 10432 (37100) | 10432 (37100) |
| 3 | GUJ | ICS-102 | Fine | 22mm | 4.0 – 6.0 | 20 | 8211 (29200) | 8155 (29000) | 8155 (29000) | 8267 (29400) | 8267 (29400) | 8267 (29400) |
| 4 | KAR | ICS-103 | Fine | 23mm | 4.0 – 5.5 | 21 | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. |
| 5 | M/M | ICS-104 | Fine | 24mm | 4.0 – 5.5 | 23 | 9729 (34600) | 9729 (34600) | 9729 (34600) | 9842 (35000) | 9842 (35000) | 9842 (35000) |
| 6 | P/H/R | ICS-202 | Fine | 26mm | 3.5 – 4.9 | 26 | 10854 (38600) | 10714 (38100) | 10742 (38200) | 10798 (38400) | 10939 (38900) | 10882 (38700) |
| 7 | M/M/A | ICS-105 | Fine | 26mm | 3.0 – 3.4 | 25 | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. |
| 8 | M/M/A | ICS-105 | Fine | 26mm | 3.5 – 4.9 | 25 | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. |
| 9 | P/H/R | ICS-105 | Fine | 27mm | 3.5 – 4.9 | 26 | 10967 (39000) | 10826 (38500) | 10854 (38600) | 10967 (39000) | 11107 (39500) | 11051 (39300) |
| 10 | M/M/A | ICS-105 | Fine | 27mm | 3.0 – 3.4 | 26 | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. |
| 11 | M/M/A | ICS-105 | Fine | 27mm | 3.5 – 4.9 | 26 | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. |
| 12 | P/H/R | ICS-105 | Fine | 28mm | 3.5 – 4.9 | 27 | 11051 (39300) | 10882 (38700) | 10911 (38800) | 11051 (39300) | 11192 (39800) | 11135 (39600) |
| 13 | M/M/A | ICS-105 | Fine | 28mm | 3.5 – 4.9 | 27 | 10629 (37800) | 10601 (37700) | 10545 (37500) | 10629 (37800) | 10742 (38200) | 10854 (38600) |
| 14 | GUJ | ICS-105 | Fine | 28mm | 3.5 – 4.9 | 27 | 10714 (38100) | 10657 (37900) | 10657 (37900) | 10770 (38300) | 10882 (38700) | 10995 (39100) |
| 15 | M/M/A/K | ICS-105 | Fine | 29mm | 3.5 – 4.9 | 28 | 10770 (38300) | 10742 (38200) | 10686 (38000) | 10770 (38300) | 10882 (38700) | 10995 (39100) |
| 16 | GUJ | ICS-105 | Fine | 29mm | 3.5 – 4.9 | 28 | 10798 (38400) | 10742 (38200) | 10742 (38200) | 10826 (38500) | 10939 (38900) | 11051 (39300) |
| 17 | M/M/A/K | ICS-105 | Fine | 30mm | 3.5 – 4.9 | 29 | 10882 (38700) | 10854 (38600) | 10798 (38400) | 10911 (38800) | 10995 (39100) | 11107 (39500) |
| 18 | M/M/A/K/T/O | ICS-105 | Fine | 31mm | 3.5 – 4.9 | 30 | 11023 (39200) | 11023 (39200) | 10967 (39000) | 11079 (39400) | 11164 (39700) | 11304 (40200) |
| 19 | K/A/T/O | ICS-106 | Fine | 32mm | 3.5 – 4.9 | 31 | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. | N.Q. |
| 20 | M(P)/K/T | ICS-107 | Fine | 34mm | 3.0 - 3.8 | 33 | 13441 (47800) | 13441 (47800) | 13441 (47800) | 13441 (47800) | 13498 (48000) | 13554 (48200) |

(Note: Figures in bracket indicate prices in Rs./Candy) N.Q. = Not Quoted