Weekly Publication of

Cotton Association of India

Cotton Exchange Building, 2nd Floor,
Cotton Green, Mumbai - 400 033
Phone: 3006 3400
Fax: 2370 0337
Email: cai@caionline.in
www.caionline.in

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Cotton Statistics And News

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Budget Highlights

The Union Budget for 2012-13 was presented to Parliament by the Finance Minister on March 16. Some of the highlights and proposals in the Budget are given below:

The Budget has identified five objectives relating to growth recovery, private investment, supply bottlenecks, malnutrition and governance matters. The growth rate of GDP (Gross Domestic Product) is placed at 7.6 per cent, 0.25 per cent above that in 2011-12. Some of the major proposals in the Budget are given below:

- Central subsidies are proposed to be kept under two per cent of GDP in 2012-13 and are to be further brought down to 1.75 per cent of GDP over the next three years.
- It is proposed to raise Rs. 30,000 crore through disinvestment.
- Efforts are to be made to reach broadbased consensus on FDI in multibrand retail.
- An amount of Rs. 15,000 crore is to be provided for capitalisation of public sector banks and financial institutions.
- The remaining habitations in Swabhiman are to be covered and the same extended to more habitations. Ultra small branches are also proposed to be set up in Swabhiman habitations.
- The investment during 12th Plan in infrastructure is to be raised upto Rs. 50,00,000 crore and half of this is expected to be from private sector.
- Tax-free Bonds of Rs. 60,000 crore are to be allowed for financial infrastructure projects.
- The allocation for Road Transport and Highways Ministry has been enhanced by 14 per cent to Rs. 25,300 crore.
- Proposals also include financial package of Rs. 3,884 crore for waiver of loans to handloom weavers and their cooperative societies while mega handloom clusters in Andhra Pradesh, Jharkhand; weaver service centres in Mizoram, Nagaland and Jharkhand; powerloom mega cluster in Maharashtra. Further, Rs. 500 crore pilot scheme for geo-textiles in North-Eastern region are to be launched.
- In order to help small enterprises, Rs. 5,000 crore India Opportunities Venture Fund is to be set up.
- Allocations to agriculture sector have been enhanced. Thus, Rashtriya Krishi Vikas Yojana will get Rs. 9,217 crore, BGREI will get Rs. 1,000 crore. Rs. 2,242 crore project is to be launched to improve dairy productivity and Rs. 500 crore for coastal aquaculture.
- Various other agricultural activities have been merged into five Missions.
- Target for agricultural credit has been raised to Rs. 5,75,000 crore.
- The interest subvention for short term crop loans to farmers at seven per cent interest will continue. Further, additional three per cent will be allowed for prompt and timely payment.

- An amount of Rs. 200 crore has been earmarked for awards to incentivise agricultural research.
- A National Mission for Food Processing is to be started in cooperation with the State Governments.
- The UID-Aadhar project is to get adequate funds for enrolment of 40 crore persons in addition to the 20 crore person already enrolled.
- Tax proposals mark progress in the direction of movement towards Direct Tax Code and General Sales Tax.
- Income-tax exemtpion limit has been raised from Rs. 1.8 lakh to Rs. 2 lakh and upper limit of 20 per cent tax slab raised from Rs. 8 lakh to Rs. 10 lakh.
- Senior citizens without business income has been exempted from advance tax.
- Turnover limit for compulsory for small and medium enterprises has been raised from Rs. 60 lakh to Rs. one crore.
- All services will now attract service tax except those in the negative list.
- Central Excise and Service Tax is to be harmonised.
- Standard rate of excise duty has been raised from 10 per cent to 12 per cent and service tax rates raised from 10 per cent to 12 per cent while no change in peak customs duty of 10 per cent on non-agricultural has been proposed.
- The net gain due to taxation proposals comes to Rs. 41,400 crore.
- Total expenditure budgeted comes to Rs. 14,90,925 crore and plan expenditure comes to Rs. 5,21,025 crore, which is 18 per cent higher than 2011-12 Budget and non-plan expenditure is placed at Rs. 9,69,900 crore.
- Fiscal deficit has been targeted to be 5.1 per cent of GDP, as against 5.9 per cent in the Revised Estimates for 2011-12.
- Central Government debt comes to 45.5 per cent of GDP as compared to 13th Financial Commission's target of 50.5 per cent.

The Budget proposals touch some specific items concerning the textile industry. One of these is that the concessional rate of basic customs duty of 5 per cent is to be restricted only to new textiles machinery. Consequently, second hand machinery would now attract basic customs duty of 7.5 per cent.

Drop in Spun Yarn Production in 2011-12

The production of spun yarn has taken a dip during the first seven months of 2011-12, reveals the data available from the office of the Textile Commissioner. The month-wise data on spun yarn production in 2010-11 and 2011-12 are given below:

Production of Spun Yarn (in mn. kg.)

Month	2010-11		2011-12	
	Cotton Yarn	Total Yarn	Cotton Yarn	Total Yarn
April	273.77	370.74	254.16	356.57
May	283.69	381.27	248.11	351.61
June	284.79	377.88	260.57	365.24
July	302.16	399.83	265.54	372.34
August	300.34	397.77	247.96	350.40
September	297.68	399.79	240.62	340.92
October	301.55	410.95	267.74	377.84
Total	2043.98	2738.23	1784.70	2514.92

It may be noticed that production of total yarn during the first seven months of 2011-12 (April-October) was lower by 223.31 million kg compared to the corresponding period of 2010-11. The drop in the production of cotton yarn in 2011-12 was still steeper at as much as 259.28 million kg. The main reason for this is that in the early part of 2011-12, cotton prices were ruling quite high whereas the yarn market was sluggish, and the ex-mill prices were quite low, even lower than the production cost in some cases. The disparity gradually became so wide that several mills decided to stop production altogether for some time or curtail production significantly. In fact, some mills even decided to take up production on a job work basis. All this has led to the fall in production in 2011-12. The fall was higher in the case of cotton yarn obviously because of the high cotton prices and the difference between production cost and ex-mill prices was relatively much higher in the case of cotton yarn than in the case of blended and non-cotton yarn.

Seed Companies Also Greatly Benefit from Rapid Spread of Bt Cotton

It is a well known fact that the introduction of high yielding, bollworm resistant Bt cotton in 2002-03 and its rapid and extensive spread thereafter have, on the one hand, boosted the production and productivity of cotton in India and on the other, substantially raised the net returns to the farmers from growing this fibre crop, estimated to be about 40 per cent over non-Bt cotton. What is, however, not widely known is the intense benefit the seed companies have reaped from this growth of the Bt cotton.

The spread of Bt cotton in the country has been far more rapid and far more extensive than the spread of any new technology including the earlier generation of hybrid cottons. Presently, about 90 per cent of the total cotton area in the country is under Bt cottons. The consequent improvement in production and productivity of cotton can be gauged from the following data:

Year	Production (lakh bales)	Yield (kg lint/ha)
2002-03	136	302
2003-04	179	399
2004-05	243	470
2005-06	241	472
2006-07	280	521
2007-08	307	554
2008-09	290	524
2009-10	305	503
2010-11	339	517
2011-12	345	481

The comparatively low productivity in 2011-12 was because of cotton being grown in much larger areas (122 lakh ha in 2011-12 vs 77 lakh ha in 2002-03) including sizable areas where farmers were new to cotton farming and were not experienced in the adoption of scientific cotton farming.

The surge in Bt cotton has apparently ushered in another equally important development - the coming of age of Indian seed companies who have greatly benefited from the boom in Bt cotton farming estimated at Rs. 9,000 to Rs. 10,000 crore. Indian seed market is said to have emerged as one of the biggest in the world. It is now more than double the size of what was before the advent of Bt cotton. Of the overall cotton seed market of Rs. 10,000 crore, about 40 per cent is claimed to be dominated by Bt cotton. In other words, the entire rise in the size of the seed market is because of Bt cotton. Chairman-cum-Managing Director of a major seed company in the south is quoted to have stated that before 2002, cotton seeds comprised just around 10-15 per cent of the Indian seed market, which now stands at 40 per cent. What was once considered a small and inconsequential seed business is now counted among the fastest growing industries in the country.

Bt cotton market is now dominated by just 7 to 10 big companies. The secret of their success is said to be that they used the technology to manufacture their own proprietory products that suit the needs of farmers. Evidence is stated to have shown that only those companies which had a sound research and development base and invested in their proprietory products managed to make the best use of Bt cotton licence obtained from the parent company. The turnover of the successful companies have multiplied manifold over the last ten years.

Another advantage Bt cottons has, apart from their higher yield, is that their fibre quality is superior to non-Bt cottons. Almost 80 per cent of Bt cotton is of medium to long staple category which has good demand, both in domestic and international market. Earlier, its share was only 50 to 60 per cent. Further, in non-Bt cottons, bolls are bollworm attacked and do not open properly. They are very fragile leading to low quality cotton. On the other hand, bolls of Bt cotton open well particularly as they are not infested by bollworm which is the scourge of non-Bt cottons. Earlier, in the case of traditional varieties, about 10-15 pesticide sprays were necessitated to check bollworms whereas no spray is needed for Bt cottons, thus resulting in considerable reduction in production cost.

Nothwithstanding the obvious advantages of Bt cottons, the seed companies cannot rest on their laurels. While the average yield has now been raised substantially to about 500 to 550 kg per hectare, as against 250 to 300 kg in 2002-03, to attain the next level of 750 to 1000 kg per hectare, seed companies have to devise technological solutions to problems like sucking pests as also drought. The latter has became serious in states like Maharashtra and Andhra Pradesh. Another big challange facing the seed industry is the absence of a proper regulatory mechanism which leads to proliferation of fake and uncertified seeds. It is stated that according to a rough estimate, about 5-7 per cent of Bt seeds sold by regional players in Gujarat and North India are fakes. Alongside price control regimes, a progressive seed policy which boosts investment in research also needs to be put in place, according to experts.

SNIPPETS

The Reserve Bank of India (RBI) has announced to cut the cash reserve ratio (CRR) (the proportion of deposits banks have to park with the Central Bank) by 0.75 percentage points, from 5.5 per cent to 4.75 per cent, in order to ease the tight liquidity situation in the banking system. This lowering of CRR is expected to inject Rs. 48,000 crore into the system. Earlier, in the third quarter monetary policy announced on January 24, RBI had cut CRR by half a percentage point to 5.5 per cent, releasing Rs. 32,000 crore in the system.

Industrial output in the country is reported to have rebounded to record a growth of 6.8 per cent in January. The growth was lower at 2.5 per cent in December and 5.9 per cent in November. Although the electricity sector lagged behind with a growth of 3.2 per cent in January, the growth in mining sector was higher at 2.7 per cent in January 2012 compared to 1.7 per cent in January 2011 and the growth in manufacturing secctor was marginally higher at 8.5 per cent in January 2012 as against 8.1 per cent in January 2011.

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 March 2012

Sr. No.	Grade Standard	Staple	Micronaire	Strength/ GPT	Trade Name	17th	19th	20th	21st	22nd	23rd
01.	ICS-101	Below 22mm	5.0-7.0	15	Bengal Deshi (RG)	9673 (34400)	9617 (34200)	9617 (34200)	9617 (34200)	9589 (34100)	H
02.	ICS-201	Below 22mm	5.0-7.0	15	Bengal Deshi (SG)	9898 (35200)	9842 (35000)	9842 (35000)	9842 (35000)	9814 (34900)	
03.	ICS-102	22mm	4.5-5.9	19	V-797	7114 (25300)	7030 (25000)	7030 (25000)	6946 (24700)	6946 (24700)	O
04.	ICS-103	23mm	4.0-5.5	19	Jayadhar	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	
05.	ICS-104	24mm	4.0-5.5	20	Y-1	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	L
06.	ICS-202	25mm	3.5-4.9	23	J-34	8745 (31100)	8548 (30400)	8548 (30400)	8464 (30100)	8436 (30000)	
07.	ICS-105	25mm	3.5-4.9	22	NHH-44	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	I
08.	ICS-105	27mm	3.5-4.9	24	LRA-5166	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	
09.	ICS-105	28mm	3.5-4.9	25	H-4/ MECH-1	9195 (32700)	9055 (32200)	9111 (32400)	9026 (32100)	9026 (32100)	D
10.	ICS-105	29mm	3.5-4.9	26	Shankar-6	9617 (34200)	9476 (33700)	9533 (33900)	9448 (33600)	9420 (33500)	
11.	ICS-105	31mm	3.5-4.9	27	Bunny/ Brahma	9561 (34000)	9420 (33500)	9476 (33700)	9392 (33400)	9364 (33300)	A
12.	ICS-106	33mm	3.3-4.5	28	MCU-5/ Surabhi	N.Q.	N.Q.	N.Q.	N.Q.	N.Q.	Y
13.	ICS-107	35mm	2.8-3.6	31	DCH-32	12654 (45000)	12513 (44500)	12513 (44500)	12373 (44000)	12373 (44000)	

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