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Cotton Statistics And News

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Cotton Prices Nearly Quadruple in Two Decades

(Continued from last issue...)

A comparison of the prices at the commencement of 1989-90 and two decades later in 2008-09 shows that the increase ranged from 181 to 270 per cent. In other words, prices are now three to four times of those during two decades ago. A cursory study of the year-wise price data indicates that a marked escalation in prices commenced during the mid-1990s. This may be due to the rise in demand from the textile industry which had been steadily expanding to meet the clothing requirements of the fast expanding population.

As is well known, a variety of factors influence cotton prices, apart from the market fundamentals of demand and supply. Even in the case of demand, it is not just the overall demand that is relevant but also the staple quality-wise demand. Production has to match the demand in each staple group. For instance, the current shortage in the production of ELS cotton pushes up its prices. Earlier, only the domestic demand was in the picture but after the country emerged as a large scale exporter, overseas demand has also begun to play an important role. Consequently, world cotton prices have been exerting a significant influence on domestic prices. Even if the domestic prices remain relatively moderate, when the world prices are higher, exporters offer higher prices which brings about all-round escalation in domestic prices even in years of good production.

Speculative elements also influence prices significantly. In recent years, there had been reports of multi-nationals entering the speculative trading without physically owning the stocks. They are able to offer higher prices

since money is available to them at much cheaper interest rates. While futures trading has no doubt several benefits, it has to be used for the purpose it is really meant which is for coverage of risk.

Another factor that exerts influence on prices is the minimum support price (MSP). In the past, MSP did not play a really decisive role since it was fixed every year with only marginal increase and interests of all segments were taken into account. However, in 2008-09, the Government effected a steep and unprecedented hike of 40 per cent which distorted the entire price situation. Prices of all varieties unexpectedly and without any sufficient justification, shot up creating serious problems not only for the consuming industry but also for the raw cotton processors.

A look at the production situation may also be relevant when discussing prices. The overall increase in production between 1989-90 and 2008-09 comes to about 113 per cent, climbing from 136 lakh bales to 290 lakh bales. A real breakthrough in production came during the latter half of the current decade. Until 2003-04, production was below 200 lakh bales but this mark was crossed in 2004-05 and production pierced the 300 lakh bale mark in 2007-08. The two major factors that brought about this welcome development were the accelerated spread of the modern production technology due to schemes like the Technology Mission on Cotton and intensive efforts of the State agencies and the introduction of the high yielding, bollworm resistant Bt cottons in 2002-03.

Reverting to prices, one can only repeat the old saying, if there is anything certain about prices, it is their uncertainty.

(Concluded)

Cotton Prices Spurt in March

After a brief period of lull and downtrend, cotton prices spurted in March with all varieties registering substantial gains compared to February. The movement of monthly average prices of some representative varieties since the commencement of the season is depicted in the following table :

Month	Avg. Spot Rate (Rs/Candy)				
	J-34	H-4	S-6	Bunny	DCH-32
Oct. '09	21,500 (22,500)	- (23,100)	23,300 (23,300)	23,200 (24,500)	- (31,900)
Nov. '09	23,500 (20,400)	23,800 (21,900)	25,000 (22,200)	24,500 (23,000)	41,000 (30,600)
Dec. '09	24,900 (20,400)	25,700 (21,600)	26,800 (21,800)	26,800 (22,300)	42,000 (29,000)
Jan. '10	25,600 (21,000)	25,600 (21,000)	26,700 (21,500)	26,800 (21,600)	40,300 (28,200)
Feb. '10	24,900 (20,100)	25,400 (20,100)	26,500 (20,600)	26,600 (20,900)	39,700 (26,800)
Mar. '10	26,100 (20,600)	26,700 (20,100)	27,900 (20,700)	28,000 (21,100)	41,900 (26,500)

Note : Figures in brackets indicate last year's prices

Compared to February prices, the increase in March has ranged from Rs. 1200 to Rs. 2200 per candy, the maximum increase being in the case of the extralong staple cotton, DCH-32. While the availability of cotton is quite adequate, particularly as the market arrivals by March 20, are placed at around 263 lakh bales, the sudden reversal of price trend in March in contrast to the earlier decline upto February must be attributed to some other factors.

One such factor may be the heavy demand from mills and exporters. According to reports, both domestic and overseas demand for textiles has been continuously on the rise since the last few months and mills are eager to build up cotton inventory.

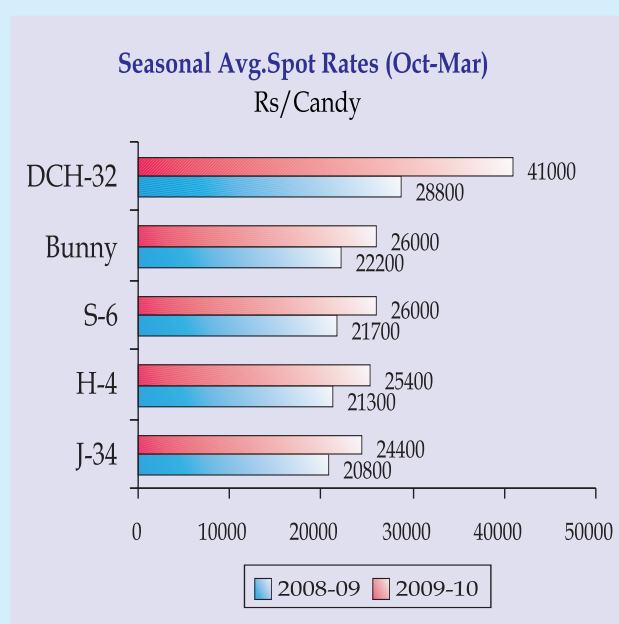
Another factor for the price rise may be the uptrend in world cotton prices. The Cotlook A Index has been steadily rising since January. It

was 76.00 US Cents per pound in December 2009 and rose to 77.40 Cents in January 2010 and further to 80.05 Cents in February. The average Index in March upto the 25th of the month has been as high as 86.00 Cents per pound. This uptrend is bound to have exerted an influence on the domestic prices also, particularly as India has emerged as a major exporter of cotton now.

The average prices during this season have continued to remain significantly higher than last year. The comparative figures in respect of some representative varieties are given below :

Seasonal (Oct-Mar) Avg. Spot Rates (Rs/Candy)			
Variety	2008-09	2009-10	Difference
J-34	20,800	24,400	3,600
H-4	21,300	25,400	4,100
S-6	21,700	26,000	4,300
Bunny	22,200	26,000	3,800
DCH-32	28,800	41,000	12,200

While the increase during the first half of the current season has ranged from Rs. 3600 to Rs. 4300 per candy in the case of medium and long staple cottons, it has been as high as Rs. 12200 per candy in the case of the ELS cotton, DCH-32.



UPCOUNTRY SPOT RATES

		2009-10 Crop											(Rs. \ Candy)	
March 2010	BD(RG) A. Commla	BD SG	V-797	Jayadhar	Y-1	J-34	NHH-44	LRA-5166	H-4/ MECH-1	Shankar-6	Bunny/ Brahma	MCU-5/ Surabhi	DCH-32	ICC
	ICS-101	ICS-201	ICS-102	ICS-103	ICS-104	ICS-202	ICS-105	ICS-105	ICS-105	ICS-105	ICS-105	ICS-106	ICS-107	ICS-301
	22 mm	22 mm	22 mm	23 mm	24 mm	25 mm	25 mm	27 mm	28 mm	29 mm	31 mm	33 mm	35 mm	26 mm
	5.0-7.0	5.0-7.0	4.5-5.9	4.0-5.5	4.0-5.5	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.5-4.9	3.3-4.5	2.8-3.6	3.7-4.3
	15	15	19	19	20	23	22	24	25	26	27	28	31	25
1	.....	.....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
2	21200	22000	20200	N.A.	25000	25300	N.A.	26000	26600	28000	28000	N.A.	42000	25600
3	21200	22000	20100	N.A.	25000	25300	N.A.	26000	26600	27800	27800	N.A.	42000	25600
4	21200	22000	20000	N.A.	24600	25300	N.A.	26000	26400	27800	27800	N.A.	42000	26000
5	21200	22000	19900	N.A.	24500	25300	N.A.	26000	26400	27700	27700	N.A.	42000	26000
6	21200	22000	19900	N.A.	24500	25500	N.A.	26000	26400	27700	27800	N.A.	42000	26200
8	21200	22000	19900	21900	24500	25700	N.A.	26100	26400	27700	27800	N.A.	43000	26200
9	21200	22000	19900	21900	24500	25700	N.A.	26100	26400	27700	27800	N.A.	43000	26200
10	21400	22000	19900	21900	24500	25700	N.A.	26100	26400	27700	27800	N.A.	43000	26200
11	21000	22000	19800	21800	24400	25700	N.A.	26000	26300	27500	27700	N.A.	42000	26100
12	21000	22000	19700	21800	24400	25700	N.A.	25900	26200	27500	27700	N.A.	41500	26100
13	.....	.....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
15	21100	22100	19900	21900	24500	25700	N.A.	25800	26300	27600	27700	N.A.	41500	26000
16	.....	.....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
17	20800	21700	20100	22000	24500	26200	N.A.	25800	26400	27700	27800	N.A.	41500	26100
18	20800	21500	20200	22000	24500	26600	N.A.	25900	26500	27800	27800	N.A.	41500	26100
19	20800	21500	20300	22000	24500	26600	N.A.	26000	26800	28000	28000	N.A.	41500	26300
20	20800	21500	20300	22000	24500	26600	N.A.	26000	26800	28000	28000	N.A.	41500	26300
22	20800	21500	20700	22300	24700	27000	N.A.	26700	27300	28300	28300	N.A.	41500	27000
23	20500	21200	20900	22300	24700	27000	N.A.	26700	27200	28300	28300	N.A.	41500	27000
24	.....	.....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
25	20400	21000	20700	22400	24700	26900	N.A.	26600	27100	28300	28300	N.A.	41500	27000
26	20200	20900	20600	22400	24700	26700	N.A.	26600	27000	28300	28300	N.A.	41500	27000
27	.....	.....	.....	.....	.....	.....	HOLIDAY	.....	.....	.....	.....	.....	.....	.....
29	20300	21000	20700	22500	24700	26700	N.A.	26600	27000	28400	28400	N.A.	41500	27000
30	20300	21000	20700	22500	24700	26700	N.A.	26600	27000	28400	28400	N.A.	41500	27000
31	20400	21100	20700	22600	24700	26800	N.A.	26800	27200	28400	28400	N.A.	41500	27200
H	21400	22100	20900	22600	24700	27000	-	26800	27300	28400	28400	-	43000	27200
L	20200	20900	19700	21800	24400	25500	-	25800	26200	27500	27700	-	41500	26000
A	20900	21600	20200	22100	24600	26100	-	26200	26700	27900	28000	-	41900	26400

H = Highest L = Lowest A = Average

Cottonseed Production Declines in A.P. - Report

For quite a few years, Andhra Pradesh had been the leading supplier of cottonseed for planting in the Country. According to some estimates, as much as 75 per cent the Country's cottonseed requirements was met by this State. However, it is now reported that there has been a sharp decline lately in cottonseed production in the State due to various seasons. The area devoted to cottonseed production in the State is said to have plummeted to 15,000 acres in 2009-10 from 45,000 acres a few years ago.

One of the reasons for this sharp decline is said to be the increase in production cost. Prior to the advent of Bt cottons, the State is reported to have had 400 cottonseed growing units the majority of which were small to medium ones. However, afterwards, companies were required to pay Rs. 50 lakh to gain access to Bt technology. At the same time, the cost of inputs and labour has been rising while the fixed minimum retail price for seed made seed production unremunerative for both the growers and seed marketing companies. All direct and indirect costs of seed companies are said to have gone up by about 35 per cent while the prices of single gene (Bt-1) and double gene (Bt-2) seeds remained stagnant at Rs. 650 and Rs. 75 per packet respectively during the past two years.

It is reported that due to all these, small-time players in the seed business could not afford to carry on and were forced to close down. This has resulted in the sharp decline in seed production in the State.

Issue of Certificates of Origin (Non-Preferential)

The CAI has been enlisted by the Director General of Foreign Trade, New Delhi and is authorized us to issue Certificates of Origin (Non-Preferential). This service has already been commenced by CAI from 20th November 2008.

The purpose of this is to serve all the stakeholders in cotton value chain better and more effectively. We invite all of you to avail of these services.

The interested parties may contact the CAI Secretariat or visit our website: www.caionline.in for more details.

UPCOUNTRY SPOT RATES

(Rs./Candy)

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) 2009-10 CROP April 2010					
					3rd	5th	6th	7th	8th	9th
01.	ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0 15	20400	20500	20700	20700	20900	20900
02.	ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0 15	21100	21300	21500	21500	21500	21400
03.	ICS-102	22mm	V-797	4.5-5.9 19	20900	21400	21500	21500	21100	21000
04.	ICS-103	23mm	Jayadhar	4.0-5 19	22800	23000	23000	23000	23000	22800
05.	ICS-104	24mm	Y-1	4.0-5.5 20	24700	24800	24800	24900	24700	24500
06.	ICS-202	25mm	J-34	3.5-4.9 23	27100	27500	27500	27400	27100	27000
07.	ICS-105	25mm	NHH-44	3.5-4.9 22	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
08.	ICS-105	27mm	LRA-5166	3.5-4.9 24	27000	27500	27500	27700	27500	27300
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9 25	27400	27700	28000	28200	28000	28000
10.	ICS-105	29mm	S-6	3.5-4.9 26	28500	28800	28800	29000	28700	28600
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9 27	28600	29000	29000	29200	29200	29000
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5 28	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
13.	ICS-107	35mm	DCH-32	2.8-3.6 31	41500	42000	42000	42000	42000	42000
14.	ICS-301	26mm	ICC	3.7-4.3 25	27200	27700	27700	27900	27900	27900