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# Cotton Statistics And News

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Edited & Published by Amar Singh

## 33 Percent Rise in Area Planted So Far Under Cotton This Year

Cotton planting during this kharif season has been in full swing, especially in the North zone where the earliest plantings usually take place. Most of the cotton in this zone is under irrigation and with the adequate and timely availability of canal water, sowings are reported to have been brisk and bulk of the plantings are over. In a few other States in the central and south zones also plantings could be taken up early this year owing to the early onset of south west monsoon. The State-wise details of area planted upto the beginning of June are reported to be as under:

State	Area Planted (in 000 hectares)			Year Ago
	Bt. Cotton	Non-Bt. Cotton	Total	
A. Pradesh	-	-	-	-
Gujarat	50	-	50	15
Haryana	455	35	490	390
Karnataka	56	3	59	32
M. Pradesh	30	-	30	5
Maharashtra	25	-	25	10
Punjab	517	28	545	550
Rajasthan	157	110	267	100
Tamil Nadu	-	-	-	-
Uttar Pradesh	-	22	22	15
Total	1290	198	1488	1117

Compared to last year, the area so far planted is about 33 per cent higher. The maximum increase is in Haryana and Rajasthan. The indications are that by the time plantings are completed, the total area under cotton in 2011-12 may be appreciably higher than last year. According to the State's Agriculture Department, the prospects in Maharashtra are indicative of a rise of 13 per cent this year compared to 2010-11. This means that this year the total area may be in the vicinity of 45 lakh

hectares as against 39.7 lakh hectares in 2010-11. Obviously, higher net returns from cotton in 2010-11 have prompted farmers in all States to step up the area under it in 2011-12.

Of the total area of around 14.9 lakh hectares so far planted, about 12.9 lakh hectares or 87 per cent are under Bt cottons, around the same share as in 2010-11. It is believed that by the time plantings are completed, the share of Bt cottons may come to nearly 90 per cent of the total.

## Ginners Want Separate Quota to Export Cotton

The sharp drop in prices has led to voices among the industry seeking more exports. In particular, ginners are seeking additional export but with a rider. "Ginners should be provided a quota for exports".

Earlier last week, the Centre began registering applications for additional exports of 10 lakh bales (170 kg. each). Registration ended last weekend and applications will be scrutinised until July 5. Quotas will be announced on July 6 and those allowed to export must have their shipments cleared by September 15.

The Centre on July 9 decided to allow 10 lakh bales in addition to the 55 lakh bales that were allowed earlier in the season that began October. The Ginners Association has claimed that if they are given a special quota, demand for cotton will increase and growers will get better price for their produce.

Source: Business Line - 25.06.2011

## China's Cotton Textiles Export - Current Situation and Future Outlook

Special feature of Cotton Outlook published in June this year contains an article on Current Situation and Outlook for China's Cotton Textile Market. Some of the highlights in this article are given below for information:

China's textile industry recovered progressively and tended to stabilise in 2010. The industry's exports, consumption and investment reportedly returned to growth and production was restored to the level prevailing before the financial crisis. Profits in the textile industry are said to have held generally steady. However, since December 2010, owing to the high volatility of cotton prices, the sharp increase in labour costs and the appreciation of the currency, business indicators are stated to have deteriorated and profit margins hit hard. The textile industry's growth rate also declined while the rate of export growth turned significantly lower. In contrast, rising income levels, supported by Government Policy, contributed to the development of the domestic market. As the textile industry enters a phase of structural adjustment, transformation and upgrading, large enterprises and those with distinctive features are said to show good competitive advantages.

Although domestic consumption went up, exports of cotton textile products maintained relatively a rapid growth during the first half of 2010-11, recently overseas demand is stated to have dropped sharply, particularly from Europe and United States. For instance, China's export volume of cotton goods to the US is said to have hit a record high in 2010 but dropped from the beginning of 2011 as the demand diminished. While there was a sharp decline in exports of the main cotton textile products, orders for cotton underwear, shirts, trousers and knitted tops were lost to Bangladesh, Vietnam, Indonesia and other countries. The unit export price of cotton products rose by 15-20 per cent due to increased cotton prices, while the rise in China was higher than that experienced by other countries, it is stated.

China's domestic consumption of cotton textiles is expected to recover slowly. During the first quarter of 2011, total retail sales of consumer goods are stated to have increased by 16.3 per cent over the same quarter of 2010, six percentage points lower than clothing retail sales which increased by 22.3 per cent. In addition, the sales volume of branded clothing enterprises are said to have continued to increase. The expectation

is that measures in the 12th Five Year Plan, such as raising disposable incomes encouraging consumer spending, actively developing electronic businesses (including on-line shopping) will boost domestic demand.

It is stated that in 2010, exports of textile products are likely to reach 200 billion dollars. Exports are believed to account for 40 per cent of the textiles and garment market, while domestic sales may represent 60 per cent. The ratio of domestic sales may continue to increase as domestic market has further room to develop with the help of stimulating policies.

Coming to cotton textile plants, both production and marketing are stated to have thrived during the first half of 2010. Cotton prices were rising steadily, influenced by those of yarn and cloth stocks of which remained at a relatively low level, while mills increased cotton stocks. However, the rise in prices accelerated from September 2010 leading to a downturn to the textile industry and a progressive decline in the added value, which is far below the national average. Exports of cotton textile products are said to have encountered a setback from the beginning of 2011. The sales-to-output ratio of yarn and grey cloth appears to have slipped significantly leading to sharp increase since March 2011. Further, sluggish demand resulted in difficulties in cotton distribution and rising cotton stocks. Obviously, the high cotton prices held back demand from mills and market supply and demand changed. Besides, mills entered a "de-inventory" cycle and reduced the rate of replenishment, due to gloomy economic forecasts and expectations of high inflation.

It is claimed that in 2010, the textile industry's profits generally rebounded and gross profits increased to around 11 per cent, from 9.8 per cent at the beginning of 2009. Net profit margins also rose from 2.6 per cent to 4.7 per cent. The average profit is said to have been better than in 2009.

As regards 2011-12, it is stated that according to forecasts of the macro-economy and cotton prices, there may be four main features of the domestic cotton textile market in the coming year. First, the proportion of domestic sales will go up and the export proportion will drop. Second, cotton consumption will be more flexible. Third, cotton prices have soared and

the irrational price difference between cotton and chemical fibres will provide good opportunities for the latter. Fourth, industry restructuring will intensify, large enterprises and those taking advantage of financial instruments will have more opportunities. The general structure of the Chinese textile industry is said to be "large in the middle and small at the two ends" which means that raw materials and consumption have a high dependency on imports, while plants confront problems of overcapacity. It is stated that the cotton textile industry has to upgrade facilities and carry out structural adjustment due to the rise in costs and volatility of raw materials, and the rapid appreciation of the Chinese currency.

In such circumstances, the rate of capacity utilisation in cotton textile slips, mills arrange production plans according to orders and the productivity of cotton textiles cannot be used to forecast cotton consumption. Cotton demand becomes more flexible and uncertain, as mills receive orders in a short term and disparate manner. As a result of high cotton prices, retail enterprises may use more chemical fibres, while the shift in the proportion export and domestic sales will also restrain cotton consumption. In addition, there will be more development opportunities for large enterprises which benefit from economies of scale and policy support.

*(Source: Special feature of Cotton Outlook)*

### DEPB Extended By Three Months

The Government has decided to extend the Duty Entitlement Passbook Scheme (DEPB) by three months, bringing in some relief to exporters. The Union Finance Secretary is quoted to have stated that the Scheme which was to expire on June 30, has been extended upto September 30. He reportedly added that the Scheme will be phased out and replaced by the duty drawback scheme in October. A Committee is said to have been appointed which is expected to take about a couple of months to decide all-India drawback rates for items currently under DEPB.

### RBI Raises Repo Rate

The Reserve Bank of India has raised the repo rate by 25 basis points or 0.25 percentage points, to 7.5 per cent. The reverse repo rate has also been raised by 25 basis points to 6.5 per cent. The repo rate is the rate at which the Reserve Bank lends to banks and reverse repo rate is the one at which banks park the funds with the Reserve Bank. The present hikes are said to have been effected as a measure of combating inflation.

### Merchandise Exports Register 56.9 Percent Rise

Merchandise exports from the Country during May are reported to have registered a phenomenal rise of 56.9 per cent to touch \$ 25.9 billion. The total exports during the first two months of the current fiscal are estimated to be \$ 49.8 billion, an increase of 45.3 per cent compared to the corresponding period of last fiscal. Imports during May also reportedly surged by 54.1 per cent to \$ 40.9 billion. Cumulative imports during April-May 2011 are estimated to have risen by 33.3 per cent to \$73.7 billion, leading to a total trade deficit of \$24 billion.

### Ministry Plans Sectoral Review of Exports

The Commerce Ministry will initiate a sectoral review of exports next month in the light of widening merchandise trade deficit levels.

Though a review was planned by the end of the current month itself, it has been postponed to enable the Export Promotion Councils concerned to be better prepared with inputs.

The review by the Directorate-General of Foreign Trade and Commerce Department would be completed by July-end. Following this, discussions would be held with the Department of Revenue and other Ministries on extending additional incentives to exporters as a supplement to the Foreign Trade Policy scheduled for August-end.

## SNIPPETS

The growth of gross domestic product (GDP) is estimated at 7.5 per cent during the last quarter of the current fiscal, the slowest in five years. However, the GDP growth for the whole year 2010-11 at 8.5 per cent was slightly higher than last year's growth of 8.5 per cent.



The six key infrastructure industries reportedly grew 5.2 per cent in April compared to 7.5 per cent in the same month last year. The core sector industries, viz. crude oil, petroleum refinery products, electricity, cement and steel account for 26.7 per cent of the index of industrial production.



As per latest report received from different States, sowing of kharif crops is progressing well. Cotton has been sown in 21.65 lakh hectare as compared to 15.42 lakh hectare last year. It represents an increase of 6.23 lakh hectare over the last year's acreage.



The arrivals of cotton are estimated at 302.4 lakh bales by the end of third week of June this year, as against 290.1 lakh bales at the same time last year, according to the Cotton Corporation of India. Arrivals in the Central Zone are placed at 192.1 lakh bales this year as against 171.1 lakh bales last year.



## 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					
						June 2011					
						18 <sup>th</sup>	20 <sup>th</sup>	21 <sup>st</sup>	22 <sup>nd</sup>	23 <sup>rd</sup>	24 <sup>th</sup>
01.	ICS-101	Below 22mm	Bengal Deshi (RG)	5.0-7.0	15	12429N (44200)	12317N (43800)	12317N (43800)	12317N (43800)	12317N (43800)	12317N (43800)
02.	ICS-201	Below 22mm	Bengal Deshi (SG)	5.0-7.0	15	12541N (44600)	12373N (44000)	12373N (44000)	12373N (44000)	12373N (44000)	12373N (44000)
03.	ICS-102	22mm	V-797	4.5-5.9	19	5765 (20500)	5765 (20500)	5624 (20000)	5624 (20000)	5624 (20000)	5624 (20000)
04.	ICS-103	23mm	Jayadhar	4.0-5	19	8295 (29500)	8295 (29500)	8295 (29500)	8295 (29500)	8295 (29500)	8295 (29500)
05.	ICS-104	24mm	Y-1	4.0-5.5	20		N.A.	N.A.	N.A.	N.A.	N.A.
06.	ICS-202	25mm	J-34	3.5-4.9	23	10657 (37900)	10236 (36400)	10123 (36000)	10123 (36000)	10123 (36000)	10123 (36000)
07.	ICS-105	25mm	NHH-44	3.5-4.9	22	7874 (28000)	7452 (26500)	7452 (26500)	7452 (26500)	7452 (26500)	7452 (26500)
08.	ICS-105	27mm	LRA-5166	3.5-4.9	24	8436 (30000)	8295 (29500)	8295 (29500)	8295 (29500)	8577 (30500)	8717 (31000)
09.	ICS-105	28mm	H-4/ MECH-1	3.5-4.9	25	10264 (36500)	10123 (36000)	9842 (35000)	9842 (35000)	9842 (35000)	9842 (35000)
10.	ICS-105	29mm	S-6	3.5-4.9	26	11248 (40000)	10967 (39000)	10686 (38000)	10686 (38000)	10686 (38000)	10686 (38000)
11.	ICS-105	31mm	Bunny/ Brahma	3.5-4.9	27	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)	11810 (42000)
12.	ICS-106	33mm	MCU-5/ Surabhi	3.3-4.5	28	13779 (49000)	13779 (49000)	13498 (48000)	13498 (48000)	13498 (48000)	13498 (48000)
13.	ICS-107	35mm	DCH-32	2.8-3.6	31	18700 (66500)	18700 (66500)	18278 (65000)	18278 (65000)	18278 (65000)	18278 (65000)

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