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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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The Impact of Exchange Rates on Domestic Cotton Prices

(ICAC has carried out a study on the impact of exchange rates on the domestic prices of cotton prevailing in different countries. An article by Ms. Caterina Au of ICAC dealing with this subject is reproduced below for the benefit of our readers).

Exchange rates affect cotton trade by determining the relationship between international and domestic prices. Movements in exchange rates directly affect prices of cotton in local currency terms: an appreciating dollar raises the price of cotton in the international market while a depreciating dollar lowers cotton prices. Last year the Secretariat examined trends in cotton prices in twenty-nine countries between March 2011 and 2012 in the March/April issue of the REVIEW. Price trends followed very similar patterns in small and medium trading countries compared to the Cotlook A Index, but different trends among large trading countries and countries with trade barriers and/or price controls were noted. Cotton price trends for the same group of cotton trading countries are examined for the period between March 25, 2012 and March 25, 2013 in this article.

At the beginning of this period, the A Index reached its highest point at 103.6 cents per pound on March 29, 2012, gradually fell to its lowest point at 77.65 cents per pound on June 6, 2012, before returning to the 90 cents range in February 2013, resulting in a net drop of 6.16% at the end of the period. Eight currencies appreciated against the U.S. dollar, while nineteen currencies depreciated at varying rates. The A Index is adjusted for the appropriate exchange rate for each country and the list of countries ordered by the rate of currency appreciation/depreciation is shown in the table below.

Immediately apparent is that most countries followed the cotton price trend but eight countries did not. The rate of currency depreciation in Argentina, Brazil, Egypt, Indonesia, Japan, Pakistan, Syria and

Uzbekistan more than offset the 6.16% decrease in international cotton prices, resulting in higher cotton prices in domestic currencies. The cotton price in Brazil and Uzbekistan, two major cotton exporting countries, increased 4.12% and 5.44% respectively from currency depreciation; while the price of cotton in Indonesia, a major cotton importing country, increased 0.2%.

Lower domestic cotton prices benefit cotton importers with cheaper imports while penalizing exporting countries. The Thai Baht appreciated 4.97% against the dollar resulting in a 10.82% drop in cotton prices for Thai cotton importers. Other net cotton importing countries that benefitted from currency appreciation during this period included Bangladesh (-8.52%), China (-6.82%), Mexico (-8.75%), South Korea (-8.76%) and Peru (-8.03%).

Cotton importing countries are worse off on currency depreciation. Net importers that saw their import costs in domestic currency fall less than the A Index due to depreciation of domestic currency: Colombia (-1.99%), Russia (-1.34%), Taiwan (-5.01%), Turkey (-5.82%) and Vietnam (-5.09%). Net importers with domestic currency depreciated more than the A Index saw an increase in their import costs in domestic currency: Japan (6.59%), Pakistan (2.14%).

Domestic cotton prices in Australia and India, the two major cotton exporting countries after the United States, decreased 5.68% and 1.03% respectively from currency depreciation. Other cotton exporting countries saw smaller reductions in domestic cotton prices: CFA Zone (-2.75%), Kazakhstan (-2.53%), Nigeria (-5.30%) and Tanzania (-3.62%). With an unchanged Turkmenistan New Manat versus the US dollar, cotton prices in Turkmenistan followed the 6.16% decrease in the A Index. Zambia, the only cotton exporting country on the list with an appreciating currency, saw their domestic cotton price fall by 6.88%.

(Source: ICAC - March/April 2013)

Glimpses of 'Ram Navami' Festival

Shree Ramchandraj Temple Trust organised a week long "Harinam Saptah" on the auspicious occasion of Ram Navami from 13th April, 2013 to 19th April, 2013. Devotees from all over the place took part in the sacred rituals.



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IMPACT OF EXCHANGE RATES ON COTTON PRICES IN DOMESTIC CURRENCIES

	Domestic Currency/US\$			A Index		
	3/25/12	3/25/13	% Change	3/25/12	3/25/13	% Change
				U.S. cents/lb		
				99.1	93	-6.16%
				Domestic currency/lb		
Thailand	30.56	29.04	-4.97%	30.29	27.01	-10.82%
Paraguay	4,182.67	3,990.00	-4.61%	4,145.02	3,710.70	-10.48%
South Korea	1,126.76	1,095.53	-2.77%	1,116.61	1,018.84	-8.76%
Mexico	12.7	12.35	-2.76%	12.58	11.48	-8.75%
Bangladesh	80.38	78.35	-2.52%	79.65	72.87	-8.52%
Peru	2.64	2.59	-2.00%	2.62	2.41	-8.03%
Zambia	5,216.64	5,176.20	-0.78%	5,169.69	4,813.87	-6.88%
China	6.31	6.27	-0.71%	6.25	5.83	-6.82%
Turkmenistan*	2.85	2.85	0.00%	2.82	2.65	-6.16%
Turkey	1.81	1.81	0.36%	1.79	1.68	-5.82%
Australia	0.95	0.96	0.50%	0.94	0.89	-5.68%
Nigeria	156.78	158.2	0.91%	155.37	147.13	-5.30%
Vietnam	20,684.24	20,920.00	1.14%	20,498.08	19,455.60	-5.09%
Taiwan	29.5	29.86	1.22%	29.23	27.77	-5.01%
Euro Zone	0.76	0.77	1.77%	0.75	0.72	-4.49%
Tanzania	1,567.71	1,610.00	2.70%	1,553.60	1,497.30	-3.62%
CFA Zone	487.32	505	3.63%	482.93	469.65	-2.75%
Kazakhstan	145.19	150.8	3.86%	143.88	140.24	-2.53%
Colombia	1,742.63	1,820.00	4.44%	1,726.95	1,692.60	-1.99%
Russia	29.22	30.72	5.13%	28.96	28.57	-1.34%
India	51.41	54.22	5.46%	50.95	50.42	-1.03%
Indonesia	9,120.63	9,738.00	6.77%	9,038.55	9,056.34	0.20%
Pakistan	90.21	98.18	8.84%	89.39	91.31	2.14%
Brazil	1.81	2.01	10.95%	1.79	1.87	4.12%
Egypt	6.01	6.68	11.14%	5.95	6.21	4.30%
Uzbekistan	1,838.88	2,066.00	12.35%	1,822.33	1,921.38	5.44%
Japan	83.12	94.41	13.58%	82.37	87.8	6.59%
Argentina	4.35	5.12	17.60%	4.31	4.76	10.36%
Syria	56.27	70.57	25.40%	55.77	65.63	17.68%

* The domestic price of cotton in Turkmenistan declined as much as the A Index, since the Turkmenistan New Manat maintained its parity with the U.S. dollar (no appreciation or depreciation) over the period under analysis. Source of exchange rates: <http://www.oanda.com/convert/fxhistory>

MONTH-WISE COTTON CONSUMPTION INCLUDING SSI

Month	2010-11	2011-12	2012-13
October	22.09	17.76	21.82
November	21.10	18.34	20.90
December	22.57	20.13	22.75
January	22.10	20.33	22.79
February	20.23	20.30	24.19
March	21.76	20.38	25.52
April	20.17	20.32	
May	18.64	21.39	
June	18.23	20.93	
July	19.00	21.89	
August	18.64	21.87	
September	21.70	21.12	
Total	246.23	244.76	137.97
Monthly Avg.	20.52	20.40	23.00

(Source: Office of the Textile Commissioner)

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 May 2013					
Sr. No.	Growth Standard	Grade /GPT	Grade	Staple	Micronaire	Strength	13th	14th	15th	16th	17th	18th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	15	9476 (33700)	9476 (33700)	9476 (33700)	9476 (33700)	9476 (33700)	9476 (33700)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 – 7.0	15	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	20	7536 (26800)	7452 (26500)	7396 (26300)	7396 (26300)	7396 (26300)	7396 (26300)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	21	8661 (30800)	8661 (30800)	8661 (30800)	8661 (30800)	8661 (30800)	8661 (30800)
5	M/M	ICS-104	Fine	24mm	4.0 – 5.5	23	9589 (34100)	9589 (34100)	9589 (34100)	9561 (34000)	9561 (34000)	9561 (34000)
6	P/H/R	ICS-202	Fine	26mm	3.5 – 4.9	26	10208 (36300)	10151 (36100)	10151 (36100)	10123 (36000)	10095 (35900)	10095 (35900)
7	M/M/A	ICS-105	Fine	26mm	3.0 – 3.4	25	9420 (33500)	9420 (33500)	9420 (33500)	9392 (33400)	9392 (33400)	9392 (33400)
8	M/M/A	ICS-105	Fine	26mm	3.5 – 4.9	25	9729 (34600)	9729 (34600)	9729 (34600)	9701 (34500)	9701 (34500)	9701 (34500)
9	P/H/R	ICS-105	Fine	27mm	3.5 – 4.9	26	10320 (36700)	10264 (36500)	10264 (36500)	10236 (36400)	10208 (36300)	10208 (36300)
10	M/M/A	ICS-105	Fine	27mm	3.0 – 3.4	26	9617 (34200)	9561 (34000)	9561 (34000)	9533 (33900)	9533 (33900)	9533 (33900)
11	M/M/A	ICS-105	Fine	27mm	3.5 – 4.9	26	9954 (35400)	9898 (35200)	9898 (35200)	9870 (35100)	9898 (35200)	9898 (35200)
12	P/H/R	ICS-105	Fine	28mm	3.5 – 4.9	27	10461 (37200)	10404 (37000)	10404 (37000)	10376 (36900)	10348 (36800)	10348 (36800)
13	M/M/A	ICS-105	Fine	28mm	3.5 – 4.9	27	10320 (36700)	10264 (36500)	10264 (36500)	10236 (36400)	10264 (36500)	10264 (36500)
14	GUJ	ICS-105	Fine	28mm	3.5 – 4.9	27	10461 (37200)	10404 (37000)	10404 (37000)	10376 (36900)	10404 (37000)	10404 (37000)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 – 4.9	28	10545 (37500)	10489 (37300)	10489 (37300)	10461 (37200)	10489 (37300)	10489 (37300)
16	GUJ	ICS-105	Fine	29mm	3.5 – 4.9	28	10601 (37700)	10545 (37500)	10545 (37500)	10517 (37400)	10545 (37500)	10545 (37500)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 – 4.9	29	10714 (38100)	10657 (37900)	10657 (37900)	10657 (37900)	10686 (38000)	10686 (38000)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 – 4.9	30	10939 (38900)	10939 (38900)	10939 (38900)	10939 (38900)	10967 (39000)	10967 (39000)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 – 4.9	31	11248 (40000)	11248 (40000)	11248 (40000)	11248 (40000)	11248 (40000)	11248 (40000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)	13638 (48500)

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