

Weekly Publication of



**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

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## MARINE INSURANCE – 9

### Losses to Cotton in Transit / Storage & Loss Minimisation

*(Late Shri Rajendra Ganatra, M.A., M.Com., LL.M., F.I.I.I., D.M.M.T. was a leading Insurance Consultant and trainer. He had a vast experience of over 35 years in General Insurance, 20 years as faculty on Marine Insurance at Banks, Financial Institutions, Insurance Companies and Colleges.*

*This article was written prior to his sad demise on December 27, 2013. )*

Cotton is susceptible to various losses during transit and storage in transit. In this article, we will discuss some of these losses and loss minimisation thereof.

#### Fire

Cotton's high cellulose content makes cotton particularly liable to catch fire through external ignition.

i) When bales burst during transit, this does not, in most cases, cause damage to the cotton, but does often result in a loss of cotton. This loss can be ascertained by the bale being re-pressed or repaired.

ii) Other causes of external ignition can be smoking cigarettes, matches, etc., generating spark starting fire, electrical faults in electrical fittings/gadgets heat and spark from carrying vehicle, use of segrees etc for cooking by drivers/cleaners/labourers, spread of fire from other commodities etc.

#### EXPERT'S Column



Late Shri Rajendra Ganatra

iii) In addition to external ignition, cotton is also liable to spontaneous combustion. Self-heating/spontaneous combustion arises as a result of moisture, fats/oils, due to the action of acids, such as nitric or sulfuric acid, and through contact with oxidising agents and with goods with a tendency to self-heating. Cotton, either in dry or wet condition, is incapable in itself of spontaneous combustion, except when the cotton will, and does generate heat, but this temperature is far short of the point of ignition. Traces of oils – castor oil, linseed oil, etc cause spontaneous combustion as they do not require any oxygen from external source.

iv) Cotton waste is more liable to be spontaneously combustible. Oily waste is dangerous and liable to catch fire if the oil content exceeds 5%. Contact with water may also render the waste liable to spontaneous combustion. Also sheets of cotton obtained by combing of the cotton is liable to spontaneous combustion.

#### Loss prevention/ minimisation:

i) Fire-fighting is best performed using CO<sub>2</sub>.

ii) When fighting a fire, do not break the steel straps or open the bales, since relieving the compression increases the oxygen supply and makes it impossible to fight the fire effectively.

iii) Water must not be used for fire-fighting, since the swelling capacity of the cotton fibres increase in volume by 40- 45%.

iv) It is advisable to contact a reputable reconditioning firm with a cotton press, have all the bales opened up and the damaged cotton removed and sound cotton re-pressed.

v) Cotton must always be protected from sparks, fire, naked lights and lit cigarettes. Smoking is absolutely prohibited. Sparks may arise from bursting or chafing of the steel straps (and also as a result of inadequate cargo securing in the hold or container).

vi) Stowage of cotton with fats/oil, or with oil-bearing seeds/fruits.

### Water/internal damp/humidity

i) Normally, wetting of bale cotton has no effect on the cotton fibres if drying follows quickly, but should the wetting, caused either by rain, sea water or sweat, remain on the bales for a period of time, it will penetrate slowly into the bale and cause staining and rotting in the affected fibres. Normally, baled cotton contains moisture up to 8.5%, the maximum allowed.

ii) Where wetting has not penetrated very deeply into the bales, they may be left in the open under drying conditions, which should be sufficient to restore them, but if they are thoroughly wetted then the bales should be opened up and dried as soon as possible.

iii) Artificial drying may sometimes be detrimental to the final appearance of the cotton as it may become spotted or yellow-stained.

iv) Fumigation should not ordinarily be detrimental to cotton.

v) Internal damp: This type of damage is normally not detectable from the exterior of the bale, but usually found when the bales are opened at the spinner's mill. This damage is caused at the time of pressing, when either too much water is used in the press, or the cotton has been excessively wet when pressed. Damage is usually in pockets spread evenly throughout the various layers of cotton, which will be warm to hot according to the heat generation in the bale, and in most cases is accompanied by mildew or mould created by the heat generation.

vi) Humidity: Cotton behaves strongly hygroscopically. The absence of proper ventilation, may lead to decay, discolouration, and even the growth of mold, mildew, stains, etc. Hence storage/stowing area should be cool and dry. Handling of cotton during damp weather should be avoided or protected from moisture.

### Loss Minimisation:

i) The damaged portion of the bales should be removed, and these pickings to be sold at best prices possible.

ii) Wet cotton, if stowed in a confined space, will heat and deteriorate but no danger of spontaneous ignition is to be expected.

iii) Wet and dry cotton should not be stowed together. On the other hand, cotton which is or has been in contact with oil or grease is very liable to spontaneous combustion.

### Contamination

Cotton does not cause contamination but it can be contaminated by other commodities.

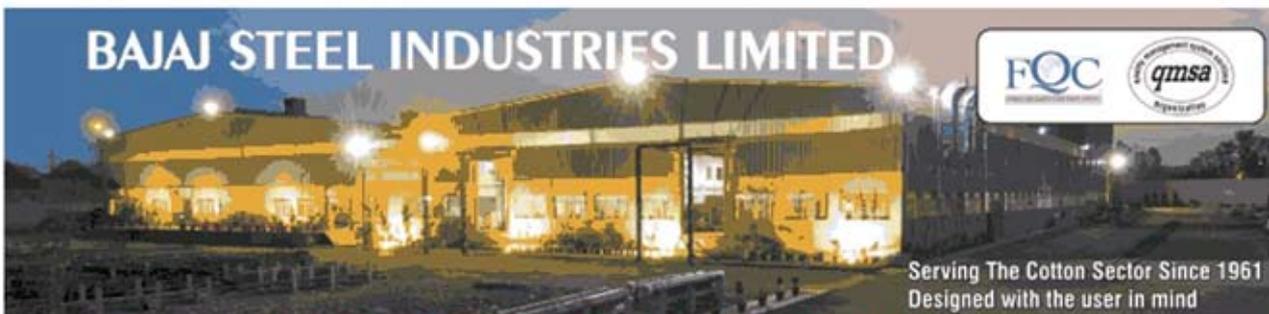
i) Pressed bales of cotton from most producing countries are covered by hessian on bilges and ends only, leaving the flats of the bales uncovered. Therefore, these exposed places are susceptible to damage by other commodities, mainly due to bad storage during transit.

ii) The main offenders of contamination are carbon black, sugar, coal, coffee, sisal, ores and yellow ochre. Most of these commodities cause superficial damage by staining, which in most instances can be removed by brushing. Those pickings brushed off during this process are usually of no commercial value.

iii) Cotton is liable to damage if in contact with oil; and should not be stowed in the same compartment as any commodity which may contain vegetable, animal or other oils, in the same stowage as goods which, because of possible leakage or seepage, might bring oil in contact with the cotton.

iv) Contamination also can be caused by dust, sand, grass, straw and colours. Sometimes, contamination is also due to excessive application of markings and shipments without drying of the same.

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## Insect infestation / Diseases

i) Mold growth caused by heat and moisture may start even in the cotton field. This leads to a reduction in value by staining and discoloration due to rot.

ii) Cotton exhibits low resistance to bacterial degradation and mold growth.

Insects, in particular ants and beetles, may damage the bales during storage ashore. So-called honeydew is deposited as a secretion on the cotton by an insect (white fly). This secretion contains sugar and makes the cotton fibres sticky. Honeydew is barely visible to the eye.

Cotton goods are also subject to mildew growth and decay. A starch finish may support traces of mould growth, producing organic acids which lead to spotting of the fabric. High humidity or warm atmosphere at the time of packing may also lead to damage.

### Loss minimisation:

i) Mildew and decay in cloth may be avoided by the use of suitable antiseptics.

ii) In all cases of damage by sea water, immediate cleaning is essential. If proper facilities are not immediately available, the material should be thoroughly washed in fresh cold water.

### Country damage

This type of damage may be caused by rain, flood, mud, sand, bales standing on wet or damp ground, or a combination of any of these causes.

Additional damage can also be caused by insects, particularly ants and termites.

### Other losses:

**Odour:** dyed cotton piece goods may give off a strong odour of kerosene especially when packed in polythene bags.

**Soiling:** if inferior water proof paper is used in the lining of cotton bales, then soiling may occur.

**Mechanical influence:** due to improper strapping if compression is released during transit, larger quantities of cotton may cause fire. Similarly, the use of hooks also may damage bales.

**Biotic activity:** Biochemical, microbial and other activities may cause decomposition.

**Toxicity:** Cotton is highly oxygen absorbent. If storage area does not have proper ventilation, it may cause life threatening toxicity to labour handling the goods.

## Coverage under Marine Insurance Policies

I) Institute Cargo Clauses C/B/A & also Under Inland Transit Clauses C/B/A: Fire, For other losses take Add On cover/s.

II) Institute Cargo Clauses A/ Inland Transit Clauses A : Fire, Water damage, contamination, infestation, country damage, odour, soiling, mechanical losses, biotic losses if losses are not of pre shipment origin and not caused by internal factors i.e. infestation and biotic losses covered only if they follow proved damages or wetness occurred in transit. Spontaneous combustion – Add On cover required.



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# President's Communique

Dear Readers,

The new year has set in with new horizons and challenges to achieve at personal, professional, community and social level for most of us. The Cotton Promotion committee within Cotton Association of India has undertaken an exciting, new initiative this year – Promoting the Cause of Cotton through the largest marathon in Asia and the largest mass participation sporting event – Standard Chartered Mumbai Marathon (SCMM).

Standard Chartered Mumbai Marathon is recognised as India's largest charity platform for non-profit organisations to raise funds for their projects. All charity-generating efforts are coordinated, monitored and driven by event's official Charity Partner, United Way of Mumbai. NGO's representing varied causes like arts, civic and community development, education, environment, health, human rights, children and the aged, register with United Way of Mumbai. Some NGOs use this event as a platform to raise awareness for the work they undertake, and some to raise amounts for their charitable activities. Fund raising is facilitated by an easy-to-use model designed for all people to raise funds for their preferred cause/NGO. This marathon is just not an event only for athletes, it is an event where people from all walks of life participate including Bollywood celebrities, sports personalities, business tycoons and other noted people lend support for a cause close to their heart. There are five categories, which cater to different participants.

Marathon (42.195 km), Half Marathon (21.097 km), Dream Run (6 km), Senior Citizens Event (4.3 km), Champions with Disability Event (2.4 km)

Last year there were about 40,000 runners and about 232 NGOs had registered their cause. Cotton Association of India has registered its cause for the support of – 'Natural Fibre Cotton which will eventually benefit the Indian farmer and thereby our country. Close to 6 million farmers are involved in cotton cultivation and cotton contributes to about 4% to our country's GDP. Thus, cotton is not only good at a personal level but also good for our country and since the environmental benefits of Cotton are well known, it's obvious that Cotton is also good for our planet.

The slogan that we have coined to promote the Cause of Natural Fibre Cotton is – 'Cotton Good For Me, My Country & My Planet'

We were encouraged to note that with our cause a New Category of Cause was registered with Standard Chartered Mumbai Marathon. We plan to use the funds that we hope to raise through participation in SCMM for 'Cotton Education through a School Contact Program'. We plan to go to schools and educate children in the age bracket of 10 to 13 years in an entertaining and educational manner the benefits of cotton and thereby inculcate in them a preference for choosing Natural Fibre Cotton. The School Contact program will start with SEC A schools in metros, spreading to smaller towns and finally to the districts in India. We are starting a Pilot of the School Contact Program with 20 schools in Mumbai immediately. The cost per school is estimated at Rs. 1 lakh per school. The pilot has been funded by a few members of association in their individual capacity. However a program as ambitious as this needs passionate and whole hearted support from within and outside the cotton fraternity.

We have 16 runners registered to run with Standard Chartered Mumbai Marathon across 3 race categories viz, Full Marathon, Half Marathon and Dream Run. I am myself registered to run the Dream Run. I request you to support this endeavor in two ways ; please contribute towards our cause of Supporting Natural Fibre Cotton as part of SCMM. I encourage you to contribute any amount you feel is appropriate. And secondly please do come on January 19 2014 to the race venue to support all the runners.

I would end by humbly saying, I am really passionate about promoting the cause of Natural Fibre Cotton as I am sure you are too, let's take this opportunity to make a real difference to achieve our vision for cotton!

Cotton – Good For Me, My Country & My Planet!

Warm Regards,

**Dhiren N. Sheth**

## LIST OF PARTICIPANTS

Sr. No.	Name of Participants	Event
1	Swapnil Shendre	Full Marathon
2	Kunal Thakkar	Half Marathon
3	Raja Gokulgandhi	Half Marathon
4	Rishit Dholakia	Half Marathon
5	Anirudh Bhagtani	Half Marathon
6	Girish Nagsee	Dream Run
7	Brijendra Kumar Mishra	Dream Run
8	Smruti Mirani	Dream Run
9	Nayan C. Mirani	Dream Run
10	Dhiren N. Sheth	Dream Run
11	Shyam Makharia	Dream Run
12	Pareesh Dwarkadas	Dream Run
13	Rishab Shah	Dream Run
14	Alok Makharia	Dream Run
15	Aparna Chawathe	Dream Run
16	Rajeswari Sheth	Dream Run

## CAI Delegation Visits Karachi

A delegation from the Cotton Association of India (CAI) consisting of its President, Mr. Dhiren N. Sheth and one of its Directors, Mr. Vijay S. Shah visited the Karachi Cotton Association (KCA), Pakistan on January 6, 2014. The purpose of this visit was to strengthen the bilateral trade ties between the two countries and to increase cooperation between the CAI and KCA.



*Vijay Shah (Director) and Dhiren Sheth (President) CAI presented with a bouquet of flowers by Khwaja Zubair (Chairman) and Syed Mohammad Sameer (Vice-Chairman) KCA*

The delegation was welcomed by the KCA team led by its Chairman, Mr. Khawaja M. Zubair. During interactions with the KCA team, the CAI President stressed the importance of regular visits of delegations both from the CAI and KCA on a consistent basis for better understanding of the issues being faced by the cotton merchants from the two countries.

The CAI President also brought up for discussion the issue of inadequate infrastructure at Wagah border. He stressed the immediate need for the KCA and CAI to urge the respective Governments to take urgent remedial measures by strengthening the infrastructure at Wagah border. He also emphasised

the importance of opening up additional borders at (a) Ferozpur-Kasur; and (b) Munabao-Khokrapar for speedy clearing of goods being traded between India and Pakistan, especially cotton.

Mr. Sheth also laid emphasis on following equitable cotton trading practices and contract sanctity. He urged the KCA members to trade in Indian cotton under the CAI Rules and By-laws.

Mr. Sheth apprised the KCA members about the CAI switching over from variety base grade standards to description base grade standards owing to the fact that the seeds on the basis of which varieties are known are no longer in existence and are extinct. He advocated trading in Indian cotton by Pakistani buyers on the basis of the CAI grade standards and the use of testing facilities available at the CAI laboratories for the purpose of evaluation of quality parameters of cotton being imported by the Pakistani buyers from India.

Mr. Sheth also informed the KCA members about the CAI's upcoming cotton promotion programme and stated that once it was launched successfully, the KCA would be welcome to join the same.



*Dhiren Sheth, President CAI, addresses the meeting*



*A warm welcome to the CAI Delegation*



*A full house at the meeting between CAI delegation and KCA*

**International Cotton Association (ICA), U.K.  
and  
Cotton Association of India (CAI), INDIA**

**announce under**

**“LEARN WITH CAI” series  
PROGRAMME NO. 2013-14/1**

**ON**

**ICA WORKSHOP ON  
‘CONTRACTING UNDER ICA BYLAWS & RULES’**

**Faculty : Mr. Derek Tanner  
Ex-President  
International Cotton Association, U.K.**

Monday, 27th January 2014 and  
Tuesday, 28th January 2014

at 9.30 a.m. to 6.00 p.m.

**Fee :**

**For ICA and CAI Members : Rs. 12,000  
For Members of Affiliated Association: Rs.13,500  
For Non-Members: Rs.15,000**

Venue : Conference Room of the Association  
Cotton Exchange Building, 2nd Floor,  
Opp. Cotton Green Railway Station,  
Cotton Green (East), Mumbai 400 033

For Registration please contact CAI Office  
Tel: (022) 30063400  
Email: school@caionline.in

## Contract Disputes and Defaults are back to normal in 2013

The number of contract defaults, disputes and arbitration cases are returning to normal averages in 2013, after two years of surges to record levels caused by the record price volatility experienced during 2010/11.

A record level of cotton price volatility caused a surge in the number of arbitration cases filed at the International Cotton Association (ICA) during the past two years. New arbitration cases at the ICA rose from 73 in 2010 to 242 in 2011 and to 247 in 2012. These disputes were related to contract performance, weight and quality and involved the entire cotton supply chain, from farmers to merchants, and to textile mills. The unprecedented increase in prices caused a large number of growers in the USA, India (associated with a government ban on exports), Brazil, Tanzania and other countries to default on cotton contracts, to delay delivery, or to deliver smaller quantities and lower qualities than agreed in contracts with merchants. When prices declined sharply, a large number of spinning mills also defaulted on contracts by failing to issue letters of credit or to accept shipments of cotton. Most of these mills are based in Bangladesh, China, Indonesia, Pakistan, Thailand and Vietnam.

During 2013, the situation with contract defaults has improved substantially as a result of the recent stabilization of cotton prices. Data from the past four decades indicate that cotton prices normally fluctuate 15% below and 17% above the average each season. During the first three months of 2013/14 prices ranged from 6% below to 9% above the average of 90 cents. The number of arbitration cases filed with the ICA during the first 10 months of 2013 declined to 71, and the ICA is projecting that about 70 new cases will be filed during calendar

2014. These volumes of arbitrations are closer to levels recorded before 2011. Between 2005 and 2010, the number of arbitration cases handled by the ICA ranged between 40 and 73 per year.

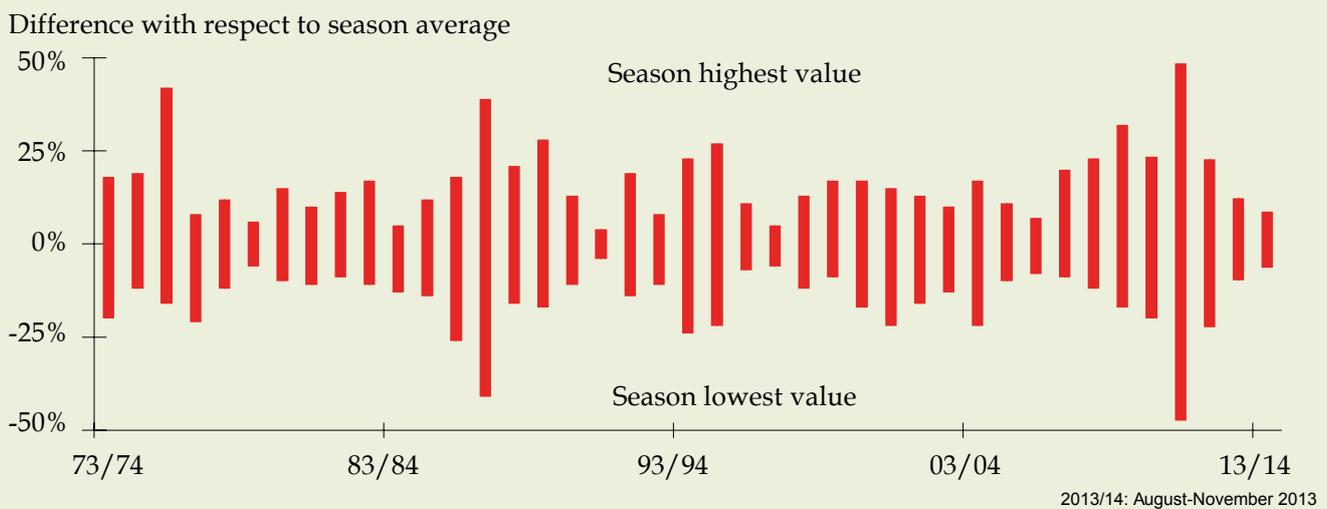
The world cotton industry is dependent on contract sanctity and an environment in which all parties fulfill their contractual obligations to ensure a smooth flow of cotton from field to consumers. Millions of farmers enter into contracts with thousands of traders or ginning mills agreeing to deliver cotton once it is produced. Traders then sell cotton to international merchants or spinning mills, which in their turn sign contracts with buyers of cotton yarn. The chain continues all the way to the retailer. If any part of the chain does not fulfill their contract obligations, because prices have changed and they could do better in new market conditions, the trading system fails, causing losses for the entire chain and disrupting a normal flow of products to the consumer. Such losses increase operational risks and the cost of financing, making production more expensive and less competitive compared with man-made fibers. That is what happened as a result of defaults caused by record price volatility during 2010/11.

Contract defaults cause substantial difficulties and uncertainties for trading companies obligated to deliver cotton to mills. Traders face losses if forced to replenish shortfalls at higher market prices. The defaults also create problems for mills, which experience shortages of cotton, rising costs and increased uncertainty in operations. Some mills resort to defaulting on high-priced cotton if they are not able to pass increased costs to buyers of cotton yarn. A large number of contracts require re-negotiation. Defaults on contracts increase counter-party-risks, thus limiting the availability

Fig. 1. Arbitration Cases at ICA



Fig. 2. Price Volatility by Season : Daily Cotlook A Index



and increasing the cost of trade finance. Confidence in the cotton trading system is undermined by defaults.

International cotton associations serve to minimize risks inherent in forward trading and provide rules for fair and equitable trading. Disputes between trading parties arise occasionally and are usually settled amicably or through the framework of arbitration provided by the associations. The standards and principles of good trading practices and the ethic of the sanctity of contracts are essential for the health of the cotton industry. Government support to the underlying principles of good trading practices and enforcement of arbitral awards (including foreign arbitral awards) is necessary and very important. The significance of the New York convention of 1958 cannot be over emphasized. A partnership between governments and the cotton industry helps enable international trade to take place in an equitable manner.

In the aftermath of the record number of defaults following 2010/11, international cotton associations, including the ICA, introduced a number of initiatives to improve and modernize their arbitration systems by streamlining the process to reduce costs and time. The ICA introduced a pool of 10 senior arbitrators to improve the quality and enforceability of awards. In addition, a new business intelligence unit was created in order to spotlight firms that are evading arbitral awards. The ICA is forming an insurance company to provide insurance for legal fees for the collection of awards, and eventually to provide insurance against defaults.

The Committee for International Co-operation between Cotton Associations (CICCA) maintains and publishes a list of firms reported by member association to have failed to fulfill arbitration awards. The most recent CICCA default list has 648 firms, as of November 15, 2013. This is a 54% increase from

420 firms on the default list as of November 2011. Firms are added to the list and deleted from the list all the time depending on the change in the status of the company. The largest numbers of defaulters were added to the list during 2012 and 2013 reflecting contract defaults caused by price swings in 2010/11. The most current list indicates that the largest number of defaulters added to the list during 2012 and 2013 were textile mills. During these two years 46 defaulters from China were added to the list; 41 from Bangladesh; 27 from Vietnam; 17 from Thailand; 13 from Pakistan; and 11 from Indonesia. The largest numbers of defaulting producers, 13 each, were added to the list from India and Brazil. The previous spike in the CICCA default list was recorded in 2009, when 71 firms were added after a sharp price spike in March 2008. That price spike caused an increase in non-performance of contracts, and defaults on arbitral awards were reflected on the CICCA default list in 2009.

Losses suffered by trading companies because of widespread contract defaults caused by price volatility in 2010/11 could be hundreds of millions of U.S. dollars.

To deal with the issue of increasing defaults, a continuation of efforts to harmonize trading rules is important and helps to minimize risks and the cost of doing business. Standardizing and digitizing trading practices is also important. Publicizing information about defaults is instrumental in deterring defaults, while an efficient arbitration system is essential in dealing with defaults. Trading with defaulters undermines the efficacy of trading rules. Risk management, and especially price risk management, is essential. -50% -25% 0% 25% 50% 73/74 83/84 93/94 03/04 13/14 Season highest value Season lowest value Difference with respect to season average Fig. 2. Price Volatility by Season: Daily Cotlook A Index 2013/14: August-November 2013

## CAI Releases December Estimate for the 2013-14 Cotton Season

The Association has released its December estimate of the cotton crop for the season 2013-14 beginning on 1st October 2013 at 376 lakh bales of 170 kgs. each.

The Association has retained the crop for the season 2012-13 at 356.75 lakh bales. The State-wise production estimates of the Association are given below:

### CAI's Estimates of Cotton Crop as on 31st December 2013 (in lakh bales)

State	Production		Arrivals as on 31.12.13
	2013-14	2012-13	
Punjab	12.75	15.50	5.25
Haryana	21.00	24.00	7.10
Upper Rajasthan	5.50	7.50	2.48
Lower Rajasthan	7.50	8.50	2.92
<b>Total North Zone</b>	<b>46.75</b>	<b>55.50</b>	<b>17.75</b>
Gujarat	114.75	83.25	37.25
Maharashtra	75.75	72.50	24.25
Madhya Pradesh	18.25	18.00	8.50
<b>Total Central Zone</b>	<b>208.75</b>	<b>173.75</b>	<b>70.00</b>
Andhra Pradesh	66.50	78.00	22.00
Karnataka	18.00	13.50	7.00

Tamil Nadu	5.00	5.00	1.75
<b>Total South Zone</b>	<b>89.50</b>	<b>96.50</b>	<b>30.75</b>
Orissa	3.00	3.00	0.75
Others	2.00	2.00	0.50
<b>Total</b>	<b>350.00</b>	<b>330.75</b>	<b>119.75</b>
Loose Cotton	26.00	26.00	-
<b>All-India</b>	<b>376.00</b>	<b>356.75</b>	<b>119.75</b>

The Balance Sheet drawn by the Association for 2013-14 and 2012-13 is reproduced below:

Details	(in lakh bales)	
	2013-14	2012-13
Opening Stock	43.25	54.75
Production	376.00	356.75
Imports	15.00	14.75
<b>Total Supply</b>	<b>434.25</b>	<b>426.25</b>
Mill Consumption	260.00	251.00
Consumption by SSI Units	24.00	24.00
Non-Mill Use	16.00	10.00
Exports	-	98.00
<b>Demand</b>	<b>300.00</b>	<b>383.00</b>
<b>Available Surplus</b>	<b>134.25</b>	<b>-</b>
<b>*Closing Stock</b>	<b>-</b>	<b>43.25</b>

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## Cotton Consumption - Cotton Year-wise

(In Lakh Bales)

Month	2006-07	2007-08	2008-09	2009-2010	2010-11	2011-12	2012-13 (P)	2013-14 (P)
October	17.33	18.32	16.54	18.13	22.09	17.77	21.84	23.15
November	17.81	16.94	16.94	18.47	21.09	18.34	21.09	21.98
December	18.49	18.86	17.98	19.49	22.57	20.13	22.63	
January	18.22	18.54	16.93	19.54	22.10	20.33	23.30	
February	17.11	18.14	16.23	18.81	20.23	20.31	22.24	
March	18.39	18.45	17.51	20.01	21.77	20.38	23.61	
0April	18.06	17.98	17.12	20.53	20.17	20.31	23.22	
May	17.89	18.95	17.83	20.93	18.64	21.27	22.85	
June	17.85	18.55	18.01	20.71	18.23	21.17	22.51	
July	18.42	18.50	18.98	22.11	19.00	22.14	24.11	
August	18.58	17.62	18.59	21.73	18.64	22.08	24.17	
September	18.03	16.90	18.29	21.42	21.71	21.46	23.66	
<b>Total</b>	<b>216.18</b>	<b>217.75</b>	<b>210.96</b>	<b>241.88</b>	<b>246.23</b>	<b>245.47</b>	<b>275.23</b>	<b>45.13</b>

(Source: Office of the Textile Commissioner)



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**Gujarat Cottyarn, Global Reach**

**International Cotton Association (ICA), U.K.  
and  
Cotton Association of India (CAI), INDIA**

**announce under**

**“LEARN WITH CAI” series  
PROGRAMME NO. 2013-14/2**

**ON**

**‘MANAGING RISK’  
CONDUCTED BY ICA**

**Faculty : Mr. Chris Kramedjian  
Risk Management Consultant  
INTL. FC Stone Inc, USA**

Wednesday, 29th January 2014 and  
Thursday, 30th January 2014

at 9.30 a.m. to 6.00 p.m.

**Fee :**

**For ICA and CAI Members : Rs. 60.000  
For Members of Affiliated Association: Rs.65,000  
For Non-Members: Rs.70,000**

Venue : Conference Room of the Association  
Cotton Exchange Building, 2nd Floor,  
Opp. Cotton Green Railway Station,  
Cotton Green (East), Mumbai 400 033

For Registration please contact CAI Office  
Tel: (022) 30063400  
Email: school@caionline.in

## ICAC'S Cotton This Month

Cotton plantings for 2014/15 will start in a few months in the northern hemisphere, which accounts for about 90% of world production. World area is expected to decline due mostly to the expected decline in China. In 2013/14, world area outside of China is estimated at 28.4 million hectares and in 2014/15 is expected to increase by 1% to 28.6 million hectares. While the average cotton price in 2013/14 is expected to be similar to the last season's price, those for many competing crops have been falling. From October to November 2013, the prices for corn and wheat reported by The World Bank have fallen by 1% and 5.2%, respectively. As a result, it is less likely that farmers will switch to other crops, and some land may even return to cotton in 2014/15. In India, area is expected to remain stable at 11.9 million hectares. While in the United States, area is expected to increase by 8% to 3.4 million hectares. This will still be below the average area for the last five seasons. Uzbekistan is expected to increase area by 3% to 1.3 million hectares, while Pakistan's area will decrease by 2% to 2.85 million hectares.

In 2013/14, the Secretariat estimates that China's cotton area is 4.6 million hectares, a decrease of 8% from 2012/13 and a further decline to 3.9 million hectares is expected for 2014/15. China experienced bad weather at various times in 2013/14, resulting in low yields and lower returns for farmers compared to other crops. Additionally, the inland provinces lack farm laborers, which increase production costs. The price for lint cotton on the other hand, particularly for better qualities, has been supported by the government's purchases for its reserve. In 2013/14, China's reserve imposed stricter standards for the quality of the cotton that was eligible for procurement, so farmers in certain provinces that were particularly hard hit by bad weather are expected to see significant declines in area next season. However, this may change as planting does not start until March, and on December 26, Xinhua News reporting on a rural work conference indicated that trial subsidies for cotton and soybeans may be part of China's reforms for agriculture to be implemented next year.



Global cotton mill use is expected to continue growing in 2014/15, on the basis of continued recovery in global economic growth. However, a small gain in cotton prices could constrain the increase in demand for cotton, particularly if the price of polyester remains low. The Secretariat forecasts global cotton mill use to rise by 3% in 2014/15 to 24.5 million tons. Cotton mill use in China, the largest consumer is projected down by 3% to 7.8 million tons. In contrast, cotton mill use in South Asia will continue to grow.

While the divergence between cotton production and consumption is expected to narrow in 2014/15, there is still a significant global supply of cotton and stocks are growing. World stocks at the end of the current season are forecast to be 20.3 million tons, 56% of which will be in China. As of December 27, China's reserve holds 11.8 million tons of cotton. Although the pace of procurement was slow at the start of the season, it has now bought 4.6 million tons. China also began offering 2011 reserve stocks for sale at the end of November, a month earlier than last season, and on average, 48% of the daily initial offering was sold. Sales of imported reserves have sold out when offered, with cumulative sales reaching 156,000 tons, while sales for domestic reserves have been lackluster.

World trade is expected to decline in 2014/15 by 9% to 7.8 million tons. This is due in large part to the continuing decline of China's imports. Although China's production is expected to be lower in 2014/15, its consumption is also declining and its government currently holds enough stock for one-and-a-half years without any further imports or production. Exports from India and Brazil are expected to decline due to lower production forecasts for 2014/15, while consumption is expected to remain stable in Brazil and increase in India.

The ICAC Secretariat sends their best wishes to all in the cotton and other natural fiber industries for the New Year.

*(Source: ICAC Monthly January 2014)*

**SUPPLY AND DISTRIBUTION OF COTTON****January 2, 2014**

Seasons begin on August 1

Million Metric Tons

	2009/10	2010/11	2011/12	2012/13 Est.	2013/14 Proj.	2014/15 Proj.
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>11.755</b>	<b>8.569</b>	<b>9.465</b>	<b>14.611</b>	<b>17.79</b>	<b>19.78</b>
China (Mainland)	3.585	2.688	2.087	6.181	9.61	11.38
USA	1.380	0.642	0.566	0.729	0.85	0.67
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>22.334</b>	<b>25.409</b>	<b>28.041</b>	<b>26.838</b>	<b>25.75</b>	<b>24.84</b>
China (Mainland)	6.925	6.400	7.400	7.300	6.70	5.95
India	5.185	5.865	6.354	6.095	6.44	6.25
USA	2.654	3.942	3.391	3.770	2.85	3.09
Pakistan	2.158	1.948	2.311	2.204	2.10	2.16
Brazil	1.194	1.960	1.877	1.261	1.64	1.54
Uzbekistan	0.850	0.910	0.880	1.000	0.92	0.95
Others	3.369	4.385	5.828	5.208	5.11	4.91
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>25.520</b>	<b>24.502</b>	<b>22.796</b>	<b>23.340</b>	<b>23.76</b>	<b>24.54</b>
China (Mainland)	10.192	9.580	8.635	8.290	8.04	7.80
India	4.300	4.509	4.340	4.845	5.10	5.51
Pakistan	2.402	2.100	2.217	2.416	2.49	2.61
East Asia & Australia	1.892	1.796	1.646	1.858	2.00	2.21
Europe & Turkey	1.600	1.549	1.495	1.532	1.58	1.71
Brazil	1.024	0.958	0.888	0.887	0.93	0.93
USA	0.773	0.849	0.718	0.751	0.78	0.82
CIS	0.604	0.577	0.550	0.561	0.58	0.60
Others	2.743	2.583	2.306	2.201	2.27	2.36
<b>EXPORTS</b>						
<b>WORLD TOTAL</b>	<b>7.798</b>	<b>7.686</b>	<b>9.870</b>	<b>10.026</b>	<b>8.53</b>	<b>7.74</b>
USA	2.621	3.130	2.526	2.902	2.24	2.21
India	1.420	1.085	2.159	1.685	1.33	1.03
Australia	0.460	0.545	1.010	1.345	1.00	0.76
Brazil	0.433	0.435	1.043	0.938	0.82	0.70
CFA Zone	0.560	0.476	0.597	0.796	0.88	0.93
Uzbekistan	0.820	0.600	0.550	0.653	0.68	0.53
<b>IMPORTS</b>						
<b>WORLD TOTAL</b>	<b>7.928</b>	<b>7.725</b>	<b>9.759</b>	<b>9.709</b>	<b>8.53</b>	<b>7.74</b>
China	2.374	2.609	5.342	4.426	3.13	1.96
East Asia & Australia	1.989	1.825	1.998	2.264	2.35	2.35
Europe & Turkey	1.170	0.972	0.724	1.015	0.77	1.01
Bangladesh	0.887	0.843	0.680	0.593	0.84	0.85
CIS	0.209	0.132	0.098	0.062	0.07	0.07
<b>TRADE IMBALANCE 1/</b>	<b>0.130</b>	<b>0.039</b>	<b>-0.111</b>	<b>-0.316</b>	<b>0.00</b>	<b>0.00</b>
<b>STOCK ADJUSTMENT 2/</b>	<b>-0.122</b>	<b>-0.051</b>	<b>0.013</b>	<b>0.000</b>	<b>0.00</b>	<b>0.00</b>
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>8.569</b>	<b>9.465</b>	<b>14.611</b>	<b>17.792</b>	<b>19.78</b>	<b>20.07</b>
China (Mainland)	2.688	2.087	6.181	9.607	11.38	11.49
USA	0.642	0.566	0.729	0.848	0.67	0.73
<b>ENDING STOCKS/MILL USE (%)</b>						
<b>WORLD-LESS-CHINA(M) 3/</b>	<b>38</b>	<b>49</b>	<b>60</b>	<b>54</b>	<b>53</b>	<b>51</b>
<b>CHINA (MAINLAND) 4/</b>	<b>26</b>	<b>22</b>	<b>72</b>	<b>116</b>	<b>142</b>	<b>147</b>
<b>Cotlook A Index 5/</b>	<b>78</b>	<b>164</b>	<b>100</b>	<b>88</b>		

1/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.

4/ China's ending stocks divided by China's mill use, multiplied by 100.

5/ U.S. Cents per pound.

(Source : ICAC Monthly January 2014)

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) 2013-14 Crop JANUARY 2014					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	6th	7th	8th	9th	10th	11th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	15	10967 (39000)	10939 (38900)	11079 (39400)	11079 (39400)	11079 (39400)	11079 (39400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 - 7.0	15	11079 (39400)	11079 (39400)	11220 (39900)	11220 (39900)	11220 (39900)	11220 (39900)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	20	8998 (32000)	8998 (32000)	8998 (32000)	8998 (32000)	8998 (32000)	8998 (32000)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	21	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)
5	M/M	ICS-104	Fine	24mm	4.0 - 5.5	23	10489 (37300)	10629 (37800)	10770 (38300)	10770 (38300)	10770 (38300)	10770 (38300)
6	P/H/R	ICS-202	Fine	26mm	3.5 - 4.9	26	11501 (40900)	11642 (41400)	11726 (41700)	11782 (41900)	11782 (41900)	11698 (41600)
7	M/M/A	ICS-105	Fine	26mm	3.0 - 3.4	25	10714 (38100)	10854 (38600)	10995 (39100)	10939 (38900)	10939 (38900)	10939 (38900)
8	M/M/A	ICS-105	Fine	26mm	3.5 - 4.9	25	10882 (38700)	11023 (39200)	11164 (39700)	11107 (39500)	11107 (39500)	11107 (39500)
9	P/H/R	ICS-105	Fine	27mm	3.5 - 4.9	26	11726 (41700)	11867 (42200)	11951 (42500)	12007 (42700)	12007 (42700)	11923 (42400)
10	M/M/A	ICS-105	Fine	27mm	3.0 - 3.4	26	10911 (38800)	11051 (39300)	11192 (39800)	11135 (39600)	11135 (39600)	11135 (39600)
11	M/M/A	ICS-105	Fine	27mm	3.5 - 4.9	26	11051 (39300)	11192 (39800)	11332 (40300)	11276 (40100)	11276 (40100)	11276 (40100)
12	P/H/R	ICS-105	Fine	28mm	3.5 - 4.9	27	11923 (42400)	12063 (42900)	12148 (43200)	12148 (43200)	12148 (43200)	12063 (42900)
13	M/M/A	ICS-105	Fine	28mm	3.5 - 4.9	27	11192 (39800)	11332 (40300)	11473 (40800)	11417 (40600)	11417 (40600)	11417 (40600)
14	GUJ	ICS-105	Fine	28mm	3.5 - 4.9	27	11332 (40300)	11473 (40800)	11642 (41400)	11585 (41200)	11585 (41200)	11585 (41200)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 - 4.9	28	11360 (40400)	11501 (40900)	11642 (41400)	11585 (41200)	11585 (41200)	11585 (41200)
16	GUJ	ICS-105	Fine	29mm	3.5 - 4.9	28	11445 (40700)	11585 (41200)	11754 (41800)	11698 (41600)	11698 (41600)	11698 (41600)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 - 4.9	29	11501 (40900)	11642 (41400)	11782 (41900)	11698 (41600)	11698 (41600)	11698 (41600)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 - 4.9	30	11642 (41400)	11782 (41900)	11923 (42400)	11838 (42100)	11838 (42100)	11838 (42100)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 - 4.9	31	11923 (42400)	12063 (42900)	12204 (43400)	12120 (43100)	12120 (43100)	12120 (43100)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	17997 (64000)	17997 (64000)	18137 (64500)	18137 (64500)	18137 (64500)	18137 (64500)

(Note: Figures in bracket indicate prices in Rs./Candy)