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## Arbitration: Improve It or Forget It

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“Contract Sanctity” has been a bedrock principle underlying international trade in cotton since at least the 1870s when the Liverpool Cotton Association, now the International Cotton Association (ICA), was formed. By rule, there is no recognition of force majeure in contracts written under the Bylaws & Rules of the ICA; every contract must be performed or settled through a process of invoicing back. In cases of dispute, parties may request arbitration under the rules of the ICA, with the understanding that valid arbitral awards are to be fulfilled. Parties who do not fulfill arbitral awards are reported to the ICA for public listing. For decades, inclusion on the list of unfulfilled awards was a source of shame, automatically resulting in ostracism from polite company, and was usually associated with bankruptcy and an inability to continue to operate normally within the world cotton industry.

### EXPERT'S Column



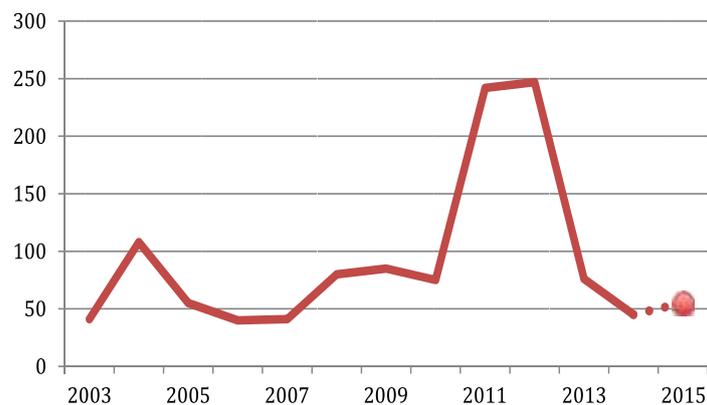
**Dr. Terry Townsend**

Not any longer. Data on mill use in countries like Bangladesh, Indonesia, Vietnam and others with large numbers of firms who have not fulfilled arbitral awards, indicates that the principle of contract sanctity in international trade in cotton is being ignored with impunity. Unless steps are taken to improve the legitimacy, and thereby increase the rate of fulfillment of ICA arbitral awards, the principle of contract sanctity in international trade in cotton will become an anachronism.

Seven hundred and twenty-three and rising. As of May 8, 2015, the list of firms that have failed to fulfill awards arising out of contracts made subject to ICA Bylaws & Rules, and firms reported by members of the Committee for International Co-operation between Cotton Associations (CICCA) (the ‘Black List’ or ‘Default List’), had risen to 723 (all tabulations in this article are based on an unofficial count by the author). Of the total, 182 firms have been listed in just the last two and one-half years. In addition, 72 of the entries on the list have no listing date because an arbitral body other than the ICA reported the unfulfilled award, and many of those entries have been added since 2012. Therefore, the number of additions to the list of unfulfilled awards during the last 2-1/2 years may be around 225.

The oldest listing is of a firm from Lisbon with a listing date of May 2, 1979, 36 years ago. Therefore, the listings in the last 2-1/2 years that account for

## ICA Arbitrations



around one-third of all listings have occurred in just 7% of the lifetime of the list of unfulfilled awards.

The explosion in the number of unfulfilled awards comes at a time when the number of arbitrations themselves has returned to a 'normal' level. After rising to 242 in 2011 and 247 in 2012 in the aftermath of the 2010/11-price spike, ICA arbitrations fell to 76 in 2013 and 45 in 2014. Based on the 23 requests for arbitration as of May 2015, the total in 2015 will likely be around 50.

The number of unfulfilled awards cannot be mapped directly to the number of ICA arbitrations completed each year because of lags between issuance of an award, failure by the responding party to fulfill the award, and reporting to the ICA. Nevertheless, the number of listings in the last 2-1/2 years is approximately double the number of arbitrations performed during 2013 and 2014, suggesting that responding parties are ignoring nearly every award that has been issued in recent years. There have also been firms removed from the list in recent years, indicating that there is at least some value in the ICA process, but the number of firms fulfilling awards is dwarfed by the number ignoring them.

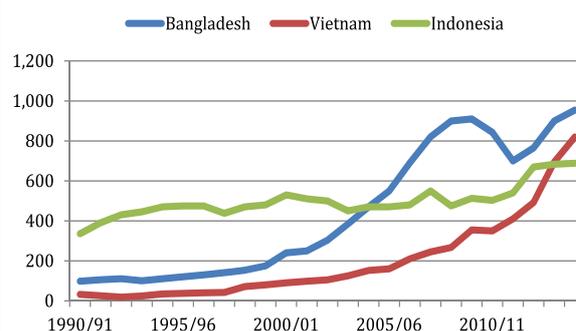
Firms from five countries: Bangladesh, India, China, Brazil, and Pakistan account for 54% of the 723 firms listed as having failed to fulfill arbitral awards. Firms from another seven countries: Vietnam, Indonesia, Thailand, Greece, Turkey, Mexico, and Tanzania account for another 27% of the total number of listings, for a total of 82% from the top 12 countries. A perusal of the list suggests that a large majority, but not all, of listed firms are spinning mills; almost all of the 182 additions to the list with a listing date since 2012 have been spinning mills.

Firms Having Failed to Fulfill Arbitral Awards	No. of firms	Fraction of the total	Cumulative Fraction	No. of firms Listed in 2013-2015*
Bangladesh	101	0.14	0.14	20
India	95	0.13	0.27	14
China	93	0.13	0.40	60
Brazil	53	0.07	0.47	7
Pakistan	49	0.07	0.54	6
Vietnam	42	0.06	0.60	17
Indonesia	41	0.06	0.66	12
Thailand	28	0.04	0.70	19
Greece	26	0.04	0.73	1
Turkey	21	0.03	0.76	5
Mexico	20	0.03	0.79	6
Tanzania	20	0.03	0.82	1
Other	133	0.18	1.00	14
Total	722			182

\* Does not include firms listed by non-ICA arbitral bodies.

World cotton mill use is falling from 26.7 million tons in 2007/08 to 24.1 million in 2014/15, while mill use in India is rising from 4.1 million to 5.3 million tons, mill use in Bangladesh is rising from 820,000 tons to 954,000; mill use in Indonesia is climbing from 550,000 tons to 688,000, and cotton mill use in Vietnam is more than tripling, climbing from 245,000 tons to 819,000 tons (ICAC, May 2015). Outside of these four, cotton mill use is falling by more than four million tons between 2007/08 and 2014/15, a shocking decline of one-fifth in seven years. The four countries with the greatest growth in cotton mill use since 2007/08 are all among the countries with the most firms listed as having not fulfilled arbitral awards. Further, 93 firms in China are on the list, including 60 spinning mills that have been added in just the last 2-1/2 years, and mill use in China has been artificially reduced by government policy, not because Chinese spinners are on the ICA list.

## Cotton Mill Use, 000 Tons





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Inclusion on the list of unfulfilled awards by the International Cotton Association (ICA) does not seem to be impeding an expansion in cotton textile mill use. The listed firms include some of the largest in Bangladesh (101 firms listed), Indonesia (41 firms listed) and Vietnam (42 firms listed), including government owned mills, and cumulatively represent the bulk of cotton spinning capacity in the three countries. The 95 listed firms in India represent a smaller share of total spinning capacity than in the other three countries and include merchants and ginning firms as well as textile firms. Nevertheless, the large number of firms in India included in the ICA list as having not fulfilled arbitral awards, seem to still be able to operate within the international cotton trading system.

If inclusion in the ICA list of unfulfilled awards carries economic consequences or impedes the ability to import cotton, those consequences are not apparent in import and mill use data.

The issue of defaults on valid arbitral awards is not new. The LCA, now the ICA, has been working for decades to improve contract fulfillment through a three-pronged strategy of inclusion, education and enforcement. However, the strategy does not seem to be working.

The ICA has tried to increase the legitimacy of its Bylaws & Rules by expanding its general membership and its Board of Directors to include industry leaders from around the world, including representatives of spinning industries in countries with growing cotton and cotton textile industries. This effort has been robust in the last decade; the first ICA president not based in Liverpool served in 2004, and there have been a succession of officers from outside the traditional Liverpool-based merchant sector in the years since. No one can credibly claim that the ICA is a merchant-owned, Liverpool organisation any longer.

Based on the supposition that some firms fail to fulfill valid arbitral awards because they are insufficiently aware of the ICA Bylaws & Rules, the ICA has made strong efforts at education. ICA officers and staff conducted numerous seminars in-country over the years, they have strengthened efforts to recruit and train arbitrators, including many not based in Liverpool. They have written articles, given speeches, talked with industry participants one-on-one, and conducted training seminars in Liverpool. No one in the cotton industry can credibly claim that the ICA Bylaws and Rules are difficult to understand.

In principle, no member of the ICA may trade with a firm on the list of those having failed to fulfill a valid arbitral award, but the mill use data from countries with large numbers of firms on the list indicate that this principle is being routinely flouted. The ICA has responded by continuing to engage governments at the diplomatic and ministerial level to enable enforcement of valid international arbitral awards consistent with the principles of the New York Convention of 1958. The ICA is also expanding its investigative capacity to identify offending firms who are disguising their identities through relicensing or false naming of companies, and to identify member firms of the ICA who are trading with illicit firms in violation of ICA rules. The ICA has created a 'Safe Trading' tab on its web site to enable members to verify the legitimate identities of potential counterparties. The ICA has also formed focus groups in the eight countries with the most severe enforcement issues where lawyers provide legal advice to ICA members. However, enforcement measures, especially those involving court procedures, are inherently lengthy. It will be many years before all the cases involving defaults on cotton contracts in recent years are resolved.

More recently, the ICA added a fourth prong to its strategy of reducing defaults by accepting the principle of mediation. Mediation is a process in which a neutral mediator assists both parties to a dispute in trying to reach an amicable settlement. If a dispute cannot be mediated amicably to the satisfaction of both parties, then arbitration is still available under the ICA Bylaws and Rules. It is too early to know whether mediation can significantly reduce the number of disputes referred to the ICA for arbitration, and if an arbitral award is issued whether fulfillment will increase.

### The Strength of Moral Suasion

In assessing the explosion in defaults on arbitral awards during the last 2-1/2 years, it is fascinating to observe that some countries with large or formerly large cotton industries have few entries on the list of parties having failed to fulfill awards. In particular, there are no firms from Japan on the list, even though Japan accounted for 6% of world mill use in the 1980s, and there are only three firms from Korea on the list, even though Korean mill use is still a relatively robust 280,000 tons per season.

No firms from Japan and few firms from Korea have failed to fulfill arbitral awards over the decades, not because there are Japanese and Korean members on the Board of Directors of the ICA, not because Japanese and Korean spinners are better informed about the ICA Bylaws & Rules than

spinners from other countries, and not because Japanese and Korean businessmen are better at disguising their identities than businessmen from other countries. Japanese and Korean firms rarely fail to perform their contracts or fulfill arbitral awards because they would feel personal shame to act otherwise. For whatever historical reasons, Japanese and Korean cultures simply do not allow behavior that would lead to embarrassment, and inclusion on the ICA list of unfulfilled awards still results in embarrassment in both countries.

The lesson implied by the behavior of firms in Japan and Korea is that, while inclusion, education, enforcement and mediation may be appropriate and necessary strategies to encourage contract fulfillment, they will never be sufficient. Only moral suasion, the social pressure to perform contracts brought by peers in the cotton industry, will be sufficient to reduce the incidence of non-performance of contracts and non-fulfillment of arbitral awards. The number of firms that have failed to fulfill arbitral awards has increased by about 225 in the last 30 months because in many countries there is no shame in being listed as a defaulter. And, much of the reason there is no shame in being listed by the ICA as having failed to fulfill an arbitral award is because there is a perception in many countries that the ICA arbitral process is not fully legitimate.

### Perception of Legitimacy Needed

The vast majority of ICA arbitrators act with complete honesty, impartiality and integrity, and both spinners and merchants have developed the ICA Bylaws and Rules and the arbitral process over more than a century. Nevertheless, in addition to all the ICA is doing to promote contract sanctity, additional steps are needed.

Those who are cynical easily criticise the ICA arbitration process. One way of counteracting such criticism would be to publish awards. Currently, each respondent to an award is free to provide whatever self-promoting explanation of facts they wish, and everyone who fails to fulfill an award always has a story. Because awards are never published, industry observers cannot know the facts or the logic behind an award or whether relevant facts and the resulting award were consistent with previous awards. The ICA needs to find a way to begin publishing awards, perhaps with names redacted, so as to increase transparency, and thus legitimacy, while remaining within the limits of UK law.

Further, the legitimacy of ICA arbitrations is undermined by the perception that awards favor

the interests of major merchants who are the repeat clients of several Liverpool-based arbitrators, and the perception that these arbitrators themselves are advocates for clients, rather than neutral and objective interpreters of case fact and industry practice. It is often asserted that certain senior arbitrators with extensive experience are able to dominate more junior colleagues in an arbitral panel to the advantage of repeat clients.

The ICA is already taking important steps to improve the quality and consistency of written awards (awards are not published, but they are written for the benefit of the parties to the dispute) by appointing a rotating panel of ten senior arbitrators to serve as chairs of each arbitral panel. The ICA is in the process of implementing new rules governing the selection of arbitrators to dispel concerns about conflict of interest. When the new rules are implemented, any individual arbitrator will not be able to act for a party or related party more than three times in any calendar year and will not be able to serve on more than eight open cases at a time. Arbitrators are now required to complete a conflict of interest check. The ICA is working to recruit more spinners to serve as arbitrators and to encourage both all parties to a arbitration to avail themselves of qualified guidance from experienced arbitrators in preparing their documentation.

These are laudable steps and represent the influence of the current Managing Director of the ICA in efforts to improve the perceived and actual legitimacy and efficacy of the arbitral process, which is the core competence of the ICA. Hopefully, these steps will be sufficient. The principle of contract sanctity is a basic underpinning of the world cotton trading system, which allows both buyers and sellers to manage price risk volatility with hedging tools. The alternative to the current trading rules, a world without contract fulfillment, would be characterised by greater risk and higher costs for all, to the ultimate detriment of the industry as a whole.

A lesson of recent years is that inclusion, education, and enforcement are necessary but not sufficient strategies to ensure respect for the principle of contract sanctity. In addition to strategies already being pursued, the ICA needs to continue efforts at increased transparency and objectivity so as to enhance legitimacy and bring moral suasion to bear on those who would otherwise evade contract obligations.

*(The views expressed in this column are of the author and not that of Cotton Association of India)*

# SAGA OF THE COTTON EXCHANGE

By Madhoo Pavaskar

## Chapter 1

### The Story of Indian Cotton

#### King Cotton in India

The history of King Cotton is as old as the history of India. "From time immemorial, India was the only country known for its cotton fabrics, the rest of the world being clad mostly in wool", wrote Prof. Dantwala in his monumental treatise, "A Hundred Years of Indian Cotton". An examination of the samples of apparel found in the excavation at Mohen-jo-daro disclosed to the world of height of excellence reached in the manufacture of cotton textiles in India some 5000 years ago. Not surprisingly, as Pandit Jawaharlal Nehru puts it, "The early beginnings of civilisation are tied up with the manufacture of textiles and history might well be written with this as the leading motif".

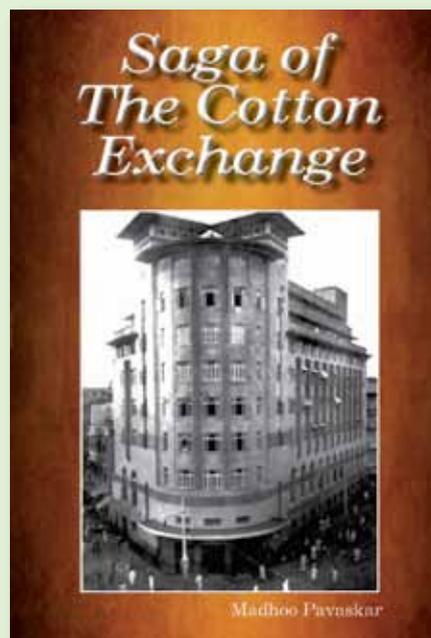
In fact, for over 3000 years (1500 BC to AD 1700) India was recognised as a cradle of the cotton industry. The earliest reference to cotton is found in the Rig Veda written about 1500 BC. More than a thousand years later, the great Greek historian Herodotus testified that Indians possessed "a kind of plant, which, instead of fruit, produces wool, of a finer and better quality than that of sheep of this, the Indians make their clothes". Soon India had a flourishing trade in cotton textiles with Greece, Egypt, Persia and the Roman Empire. For twenty centuries thereafter, Indian cotton fabrics clothed the kings, the nobles and the slaves alike in most parts of the old world.

What is astonishing is that even two millennia after the Indian cotton muslins found their way in the ancient civilisation of Athens and Rome, cotton spinning and weaving remained almost the exclusive monopoly of skilful Indian craftsmen. As Baines observes, it was not until the 13th century that the cotton industry "was introduced into Italy or Constantinople, or even secured a footing in the neighbouring empire of China". And even so, outside India, in both Europe and Asia, the industry had only "a lingering and ignoble existence" and

was hard put to face the stiff competition from the imports of finer Indian muslins and calicoes. Baines concludes that "calicoes, muslins and the more delicate cotton goods were never made in Europe, except possibly by the Moors in the south of Spain until the invention of the spinning machinery in England".

While cotton marked the beginning of human civilisation, it also inaugurated the Industrial Revolution in England during the 18th century with the advent of Hargreaves' "jenny" in 1764 and Arkwright's "spinning frame" in 1769, both of which mechanized cotton spinning. Soon followed Cartwright's power loom that mechanised weaving. The establishment and development of the Lancashire textile industry was only a short step from these inventions. The factory system began in England in 1785. The spread of British rule over India coincided with the growth of industrial revolution in England. And what the mighty Roman and Ottoman Empires failed to achieve, the British did. They gave a death blow to the ancient Indian cotton industry through massive import of cheaper cotton textiles into India from the United Kingdom. The Indian monopoly in cotton muslins for more than three millennia ended in less than three decades after the British consolidated their power in India following the defeat of the Marathas in 1818.

Yet, even the British rulers of India could not neglect Indian cotton. For "practically till the end of the eighteenth century, no source of supply of cotton other than Indian was known to the world". Even as early as in 1764, India exported about 10,000 bales of cotton to Great Britain. But the growing Lancashire Industry needed more and better cotton. Small wonder, the British Government in India "took every conceivable measure to aid and encourage – and even to undertake – the cultivation in India or more and better cotton and its clean marketing



to Great Britain". While these efforts reduced India from riches to rags in less than half a century, and transformed the age-old ace producer of finest cotton muslins in the world into a decayed colonial vestige supplying raw-cotton to feed the industrial revolution of both the West and the East (Japan), to the dismay of the British government the spirit of Swadeshi also emerged simultaneously, which later fanned the freedom movement and led eventually to the exit of the British from this country in 1947.

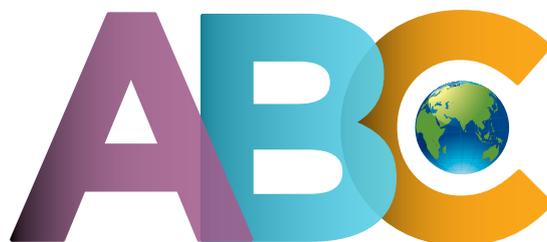
### Grow More Cotton

Eighty years before the East India Cotton Association was born, the then British Governor General to India, Lord Ellenborough, had elucidated in his letter dated May 31, 1842 to the East India Company that the object of the British cotton policy in India "is not merely to improve the cotton of India and send it home, better cleaned than heretofore, but to grow that improved cotton so extensively and so cheaply as to undersell and supplant the Americans in the English market, and thus make England independent of foreigners for the supply of raw material at our principal manufacturers".

In fact, in 1793, the East India Company had

introduced in India the newly invented Whitney saw-gins from the USA to quicken and improve cotton ginning. Cotton exports from India were rising from year to year, and reached 150,000 bales in 1800. American seed planters were invited to India in the beginning of the 19th century to help the Company in the cultivation of American cotton. Adulteration of raw cotton was made a punitive offence as early as in 1829. Cotton cultivation expanded rapidly even before the first railway line was laid in 1853. As Amalendu Guha mentions, cotton was "cultivated in patches in almost every part" of India before 1850. By then cotton occupied more than 3 million hectares of land in British India and the Native States together (including the present day Pakistan and Bangladesh too). Production exceeded a million bales, most of which was exported to Great Britain and China.

Subsequently, the development of railways and roads, the evolution of markets and the improvements in ginning and pressing gave a new fillip to the growth of cotton production in the country. "A temporary scarcity in the world market caused by the American civil war (1861-65) created an unprecedented price inflation for the Indian



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cultivators to put more of their land under cotton". Added to this, the opening of the Suez Canal in 1869 and the introduction of steamships in ocean transport gave a big boost to India's cotton exports. The export boom generated by the American Civil War, that disrupted the flow of US cotton supplies to the U.K. and the Continent, yielded a veritable windfall to the Indian cotton shippers, who invested their accumulated profits to develop the indigenous textile industry after the end of the Civil War, though the first cotton textile mill was, in fact, set up as early as in 1817 in Calcutta. The area under cotton expanded to almost 5 million hectares towards the end of the 1870s and production climbed over 2 million bales, and was only a shade lower than the US output during the corresponding period. At this time, almost three-fourth of the Indian cotton production was exported, half of which reached the shores of Great Britain alone.

The three decades that followed the opening of the Suez saw a five-fold growth in India's total railway route length. Though cotton prices exhibited a declining trend in the world markets and India's exports of raw cotton to Great Britain fell precipitously towards the close of the 19th century, Japan soon topped the list of India's cotton markets. The emergence of Japan as a major consumer of Indian cotton was a boon to India's cotton export trade. So much so that far from falling, India's exports of cotton continued to scale new peaks. Moreover, as luck would have it, this period also synchronised with a steadily expanding cotton textile industry in India. At the turn of the century, the country had nearly 5 million active spindles and about 40,000 looms, producing annually 200 million kg. of yarn and 400 million metres of cloth. Consequently, the depression in world cotton prices notwithstanding, cotton cultivation in India continued to expand and covered almost 6 million hectares of land at the dawn of the twentieth century, yielding more than 3 million bales of cotton lint. And though home consumption was rising, still about two-third of the production sought export outlets.

The twentieth century began with a new upsurge in cotton cultivation. Exports to Japan peaked 1.6 million bales in 1916-17 and though declined after the cessation of World War I hostilities in 1918 following the revival of European markets, they were still high and averaged around 40 to 50 per cent of India's total exports. Meanwhile, as India began to lose its export market in yarn in the face of intensive competition from Japan, the stage was set for the vertical integration of the Indian cotton textile industry. Till then the emphasis in the industry was more on spinning than on weaving. The situation

now began to change and composite mills with both spinning and weaving units emerged.

The Swadeshi movement of 1906-10 also gave a good impetus to the development of the industry. By 1914, the number of mills had increased to 214. And on the eve of the establishment of the East India Cotton Association in 1921-22, there were 271 cotton mills in the country with nearly 7 million active spindles and 125,000 looms, producing more than 300 million kg. of yarn and 1500 million metres of cloth. It is therefore not surprising that cotton acreage spread to 10 million hectares and production of lint rose to a new all time high of 5.5 million bales towards the end of the 1920s. Exports still absorbed almost two-third of the output.

Such was the Indian cotton scene at the time of the birth of the East India Cotton Association in 1922. During the preceding hundred years, cotton cultivation and production in the country had growth nearly ten-fold. No doubt, during the 19th century India was ravaged by frequent famines and droughts and often failed to feed its own people. But we continued to grow more and more cotton to feed the textile industry of the world, Prof. Dantwala has aptly summed up the situation and we can do perhaps little better than quote him. In his characteristic style of sarcasm, Prof. Dantwala writes, "We were thus entreated, aided and encouraged to grow cotton, more cotton and better cotton. That we did, and so successfully that the Second World War – one hundred years after improved cotton seed and American exports were sent to India – faced us with an embarrassing surplus of cotton and an acute shortage of foodgrains".

### Export or Perish

After the establishment of the East India Cotton Association, the Grow More Cotton policy of the erstwhile British government ended, as the Lancashire textile industry in Great Britain no longer needed Indian cotton. The cotton cultivation in undivided India virtually stabilised in the subsequent years over an area of around 9 to 10 million hectares. But cotton output fluctuated erratically, mainly due to the vagaries of weather (rather than shifts in area), though yields averaged mostly at about 100 kg. per hectare. Aggregate production hovered, by and large, around 5 to 6 million bales a year till the outbreak of the Second World War in 1939.

Meanwhile, the domestic textile industry was expanding by leaps and bounds. As many as 100 more mills were built during the 1920, taking the total to 348 by 1930. The number of spindles



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and looms increased to 9 million and 175,000 respectively towards the end of that decade. There was no dearth of cotton in the country. Yet, the textile industry bemoaned under the pressure of heavy imports of cloth from Japan and Great Britain. The Japanese onslaught was stronger, for its cloth was cheaper. So massive were the imports that until the onset of the Great Depression in 1929, imported textile accounted for nearly a third of the consumption of cloth in the country, even though the per capita availability was then no more than 11 metres a year. The fierce competition from imported textiles restricted the mill consumption of domestic cotton, which rarely exceeded 2.2 million bales, and averaged just around 2 million during the forties. So, strangely, the half naked country then exported more than half of its cotton output.

Unfortunately, export of even surplus cotton was not all that easy. As stated earlier, from the end of the 19th century, exports to Great Britain had dwindled as the British textile industry steadily switched over from the medium and short-staple Indian cotton to the long-staple American cotton. The switch did not affect adversely the Indian cotton economy immediately, as China and, more particularly, Japan stepped in to fill the void. But over the years, since the cotton production grew, while the domestic textile industry failed to augment its intake, the dependence on Japan increased. And the shrewd Japanese exploited the situation fully. Not only did they dump into India their textiles which were cheap in both price and quality, but they also depressed the prices of Indian cotton to their own advantage, exercising their unique position as a dominant buyer.

So disastrous was the impact of the Japanese unfair pressures that soon after the post-World War I boom in cotton (that followed the revival of the textile industry in the West) petered out, the prices of Indian cotton slumped. No. 1 Fine Oomra which averaged around 19.23 pence per lb. in 1919-20 dropped in quick succession to as low as 4.02 pence in 1930-31. Other factors apart, the Great Depression that swept the world since 1929 also accelerated the bearish trend in cotton prices towards the close of this period.

India's total exports of cotton shrunk to 1.6 million bales in 1931-32 from nearly 4 million in 1928-29 and an average of 3.5 million a year during the decade 1921-31. Soon panic gripped the cotton market. Negotiations were hurriedly initiated for a trade pact with Japan, which resulted in the Indo-Japanese Trade Agreement of 1934. The Agreement provided for an annual export of one million bales

of cotton from India to Japan, against imports of nearly 300 million metres of Japanese piece goods. The Agreement paved the way for revival of exports of cotton from India. Japanese buying recorded a new high of 2.4 million bales in 1936-37, while India's total exports of cotton crossed the 4 million bales barrier and touched an all-time peak of 4.2 million bales in that year.

Paradoxically, the cotton textile industry in the country benefitted from the Great Depression which brought about a slump in cotton prices. The number of textile mills rose from 348 in 1930 to 388 in 1940. The number of spindles and looms surpassed the 10 million and 200,000 marks respectively. Imports of textiles declined progressively from 1500 million metres a year during the mid-1920s to 600 million metres before the outbreak of the Second World War, following the tariff protections granted to the industry in 1930. Not surprisingly, the mill production of yarn increased to 600 million kg. and that of cloth to 4000 million metres in 1938-39, which represented growths of as much as 50 and 66.6 per cent over their respective levels of output in 1930. The mill consumption of cotton that had stagnated at little less than 2 million bales during the twenties, improved to 2.6 million bales in 1934-35 and further to 3.1 million by 1938-39.

But not all this increase benefitted domestic cotton. The lure of fine and superfine cloth had encouraged imports of long staple cotton from the beginning of the 1920s. In 1920-21 about 81,000 bales of American cotton were imported. The imports of superior cotton gathered great momentum during the thirties, and about 600,000 bales were imported from Egypt, Sudan, British East Africa and United States during a period of twelve months before the Second World War broke out in September 1939.

Despite increase in mill consumption of cotton, India was therefore constrained to find export outlets for its surplus cotton, Japan and China apart, even the Lancashire industry was urged to revive imports of short and medium staple Indian Cotton. And Great Britain did import nearly 600,000 bales from India in 1936-37. Imports of similar magnitude were also contemplated later under the Indo-British Trade Agreement signed in 1939. Prof. Dantwala then wrote : "Time was when Manchester manufacturers coaxed, cajoled and coerced the Indian cotton cultivators to give them cotton. During the last 20 years, however, King Cotton has found himself more than once with a begging bowl". Luckily for India, World War II soon transformed the Indian cotton scene completely.

*(To be continued...)*

## PRODUCTION OF MAN-MADE FILAMENT YARN

(In Mn. Kgs.)

Month	Viscose Filament yarn	Polyester Filament yarn	Nylon Filament yarn	Poly propylene Filament yarn	Total
<b>2013-14</b>					
April	3.51	103.27	1.59	1.36	109.73
May	3.38	108.65	1.87	0.90	114.80
Jun	3.58	105.95	1.82	0.99	112.34
Jul	3.92	99.07	1.91	1.11	106.01
Aug	3.86	106.47	1.98	1.30	113.61
Sept.	3.72	102.65	1.94	1.03	109.34
Oct.	3.77	97.03	1.90	0.83	103.53
Nov.	3.46	93.13	1.88	1.14	99.61
Dec.	3.75	103.81	2.05	1.16	110.77
Jan.	3.72	103.11	2.37	1.14	110.34
Feb.	3.54	91.57	2.25	1.06	98.42
Mar.	3.78	98.36	2.44	0.89	105.47
<b>2014-15 (P)</b>					
April	3.74	94.92	2.30	1.12	102.08
May	3.72	100.28	2.63	1.00	107.63
June	3.60	102.29	2.14	1.01	109.04
July	3.83	107.71	2.49	1.12	115.15
August	3.86	103.92	2.82	1.06	111.66
September	3.83	86.20	2.75	0.99	93.77
October	3.68	86.44	2.53	1.02	93.67
November	3.54	92.25	2.68	1.08	99.55
December	3.56	99.93	2.96	1.14	107.59
January	3.59	92.48	3.16	1.08	100.31
February	3.49	92.19	2.93	0.94	99.55
March	3.49	98.80	3.07	1.20	106.56

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) 2014-15 Crop MAY 2015					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	18th	19th	20th	21st	22nd	23rd
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	9870 (35100)	9870 (35100)	9870 (35100)	9729 (34600)	9673 (34400)	9617 (34200)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	10011 (35600)	10011 (35600)	10011 (35600)	9870 (35100)	9814 (34900)	9758 (34700)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	7030 (25000)	7030 (25000)	6974 (24800)	6974 (24800)	6917 (24600)	6917 (24600)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	8099 (28800)	8014 (28500)	8014 (28500)	7958 (28300)	7902 (28100)	7902 (28100)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	8548 (30400)	8492 (30200)	8492 (30200)	8436 (30000)	8380 (29800)	8380 (29800)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	9926 (35300)	9926 (35300)	9898 (35200)	9842 (35000)	9786 (34800)	9701 (34500)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	8633 (30700)	8577 (30500)	8548 (30400)	8520 (30300)	8492 (30200)	8492 (30200)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	8998 (32000)	8970 (31900)	8942 (31800)	8914 (31700)	8886 (31600)	8886 (31600)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	10011 (35600)	9983 (35500)	9954 (35400)	9898 (35200)	9842 (35000)	9758 (34700)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	8914 (31700)	8858 (31500)	8830 (31400)	8802 (31300)	8773 (31200)	8773 (31200)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	9251 (32900)	9223 (32800)	9195 (32700)	9167 (32600)	9139 (32500)	9139 (32500)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	10208 (36300)	10179 (36200)	10151 (36100)	10095 (35900)	10039 (35700)	9954 (35400)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	9673 (34400)	9617 (34200)	9589 (34100)	9561 (34000)	9505 (33800)	9505 (33800)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	9701 (34500)	9673 (34400)	9645 (34300)	9589 (34100)	9533 (33900)	9533 (33900)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	9898 (35200)	9842 (35000)	9814 (34900)	9786 (34800)	9729 (34600)	9729 (34600)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	9870 (35100)	9842 (35000)	9814 (34900)	9758 (34700)	9701 (34500)	9701 (34500)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	10151 (36100)	10123 (36000)	10095 (35900)	10067 (35800)	10011 (35600)	9983 (35500)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	10376 (36900)	10376 (36900)	10348 (36800)	10320 (36700)	10264 (36500)	10236 (36400)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	10601 (37700)	10601 (37700)	10573 (37600)	10545 (37500)	10489 (37300)	10461 (37200)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	12935 (46000)	12795 (45500)	12795 (45500)	12795 (45500)	12654 (45000)	12654 (45000)

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