

Weekly Publication of



**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

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## Cotton Use Rebounding Despite Covid

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*He is currently working with the African Cotton and Textile Industries Federation (ACTIF). He served as executive director of the International Cotton Advisory Committee (ICAC) and has also worked at the United States Department of Agriculture for five years, analyzing the U.S. cotton industry and editing a magazine devoted to a cross-section of agricultural issues.*

### EXPERT'S Column



**Dr. Terry Townsend**

Indian mill use dropped to one million tonnes (18%) during 2019/20 (ICAC data) to 4.5 million tonnes, but a rise is occurring this season to an estimated 5.1 million tonnes. World mill use fell approximately 3 million tonnes (13%) to 22.5 million last season, but is expected to rise to more than 24 million tonnes this season.

Mill use in both India and the world will remain below the previous high levels, and world mill use of cotton is trending downward. Nevertheless, the cotton sector is showing significant resilience in the face of highly adverse economic conditions, and the sources of that resilience are not obvious.

### Population Growth

Cotton mill use in India, and elsewhere around the world, is partially rebounding from the depths of the lock downs imposed by governments in response to the Covid crisis during 2019/20. The rebound is occurring even though GDP growth remains negative in India and major developed regions and even though prices of polyester are less than half those of cotton.

Economists have modelled world fibre demand for decades as a function of population growth, income growth, fibre prices and relative fibre prices. The world population is growing by 80 million people per year, and the 2020 population is estimated at nearly 7.8 billion. World cotton consumption per capita peaked at 4 kilograms in 2007, when cotton mill use reached nearly 27 million tonnes. Per capita

cotton use in 2020 is falling to 3 kilograms, and the gain in world population of 80 million is adding about 250,000 tonnes per year to world cotton use.

### Declining Income

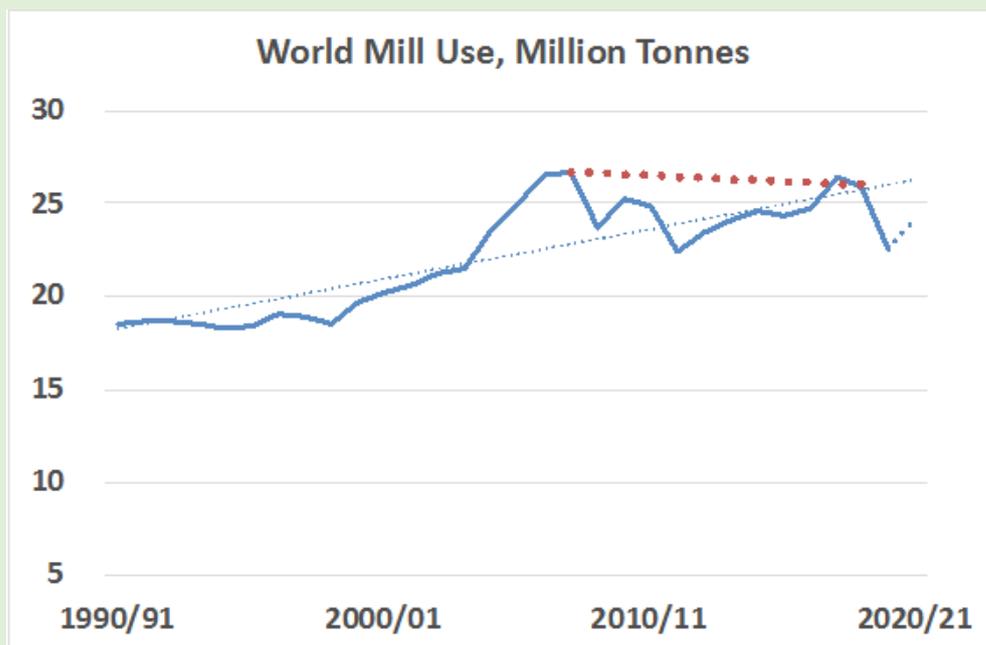
However, world income is falling in 2020, and particularly so in India. Indian GDP fell nearly 25% during the second quarter of 2020 and 7.5% during the third quarter compared with the same quarters in 2019 (OECD and The World Bank).

GDP in the United States fell 9% in the second quarter and 3% in the third quarter. GDP is also down by similar margins in other major consuming markets of Japan, the EU and the UK.

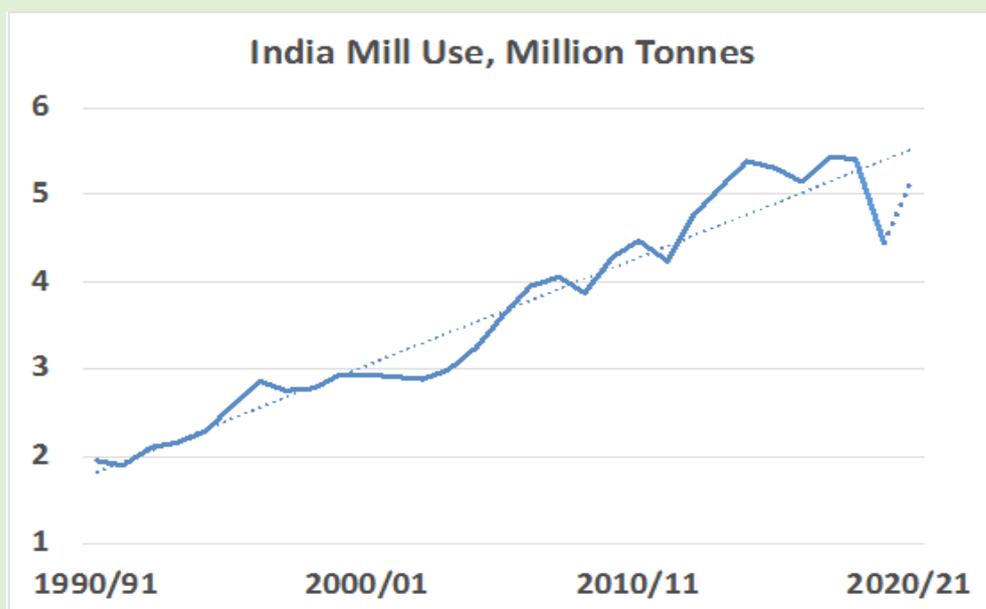
Only in China among major economies was GDP growth positive in the second and third quarters of 2020.

For consumer goods, including clothing and home furnishings, China is its own market, and there is very little trade in textiles and clothing between India and China, and so the relative strength of the Chinese economy cannot explain the rebound that seems to be occurring in world and Indian cotton use.

About three-fourths of Indian cotton mill use is destined for end-use consumption (retail sale) in India, and the weakness in the Indian economy makes the rebound in Indian mill use



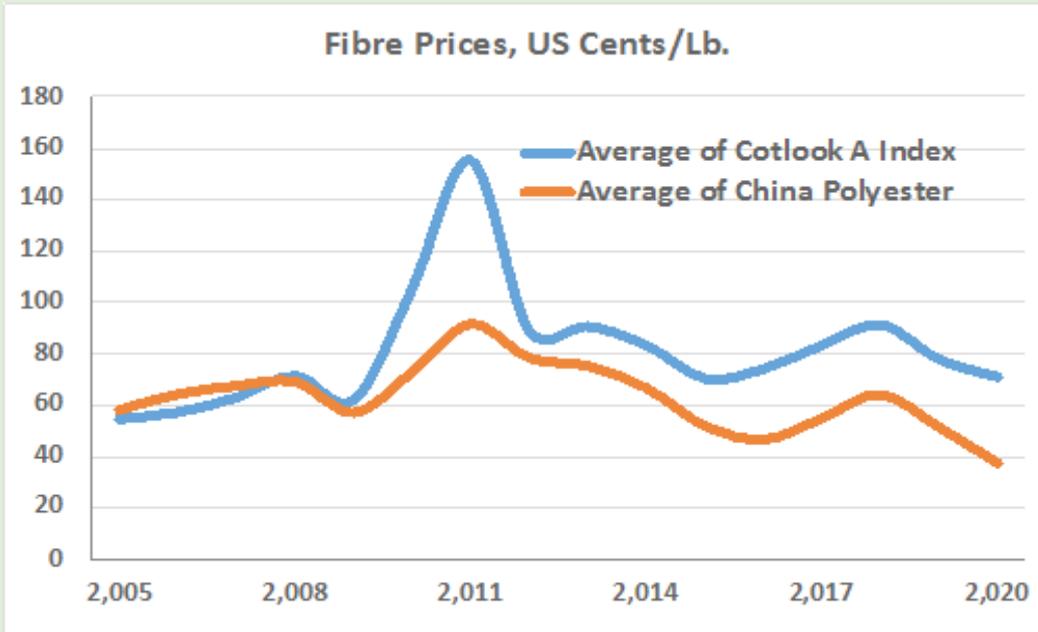
Source: Lihan Wei, ICAC



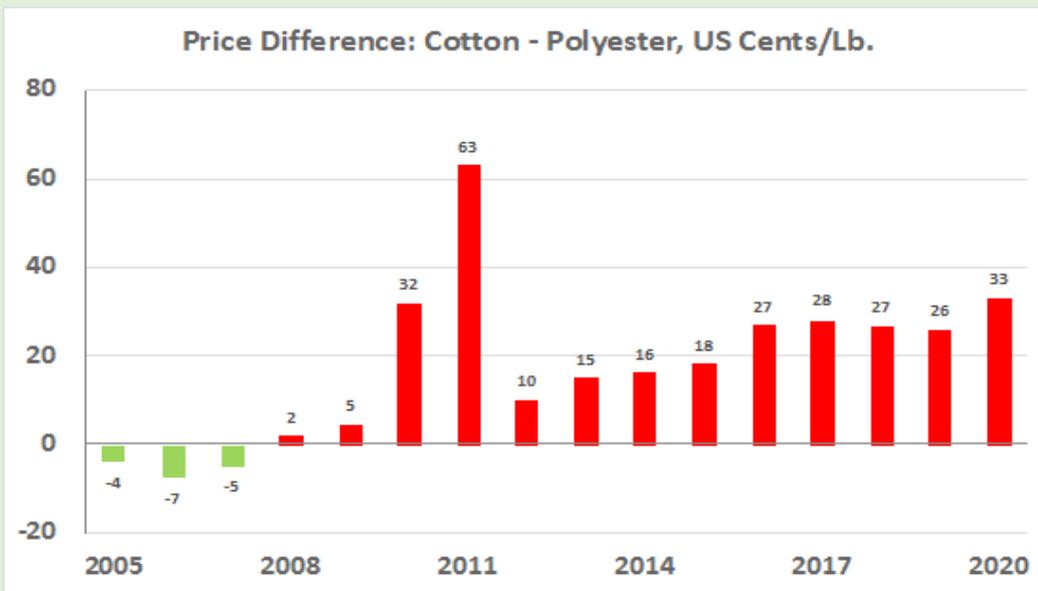
Source: Lihan Wei, ICAC

estimated for the current season difficult to explain.

The World Bank is forecasting a 5.2% decline in world GDP during 2020, but growth of 4.2% is expected in 2021 ("Pandemic: Recession: The Global Economy in Crisis," The World Bank, June 2020). However, the economic performance of high-income countries where most cotton retail consumption occurs is worse than the world average. The same report by The World Bank indicates that GDP in High-Income countries will drop 6.8% in 2020 and rise by just 3.8% in 2021.



Source: Lorena Ruiz, ICAC.



Source: Lorena Ruiz, ICAC.

Historically, a decline in world GDP would signal a decline in world cotton use, not a rebound. Given that world GDP growth is probably still negative in the fourth quarter of 2020, and given that world trade volume is estimated down by an astounding 13% in 2020, it is a wonder that world cotton mill use is rising in 2020/21.

### Polyester Prices Half Those of Cotton

From the standpoint of historical statistical relationships and the partial rebound in world cotton use that is estimated for 2020/21, the most glaring discrepancy is the impact of

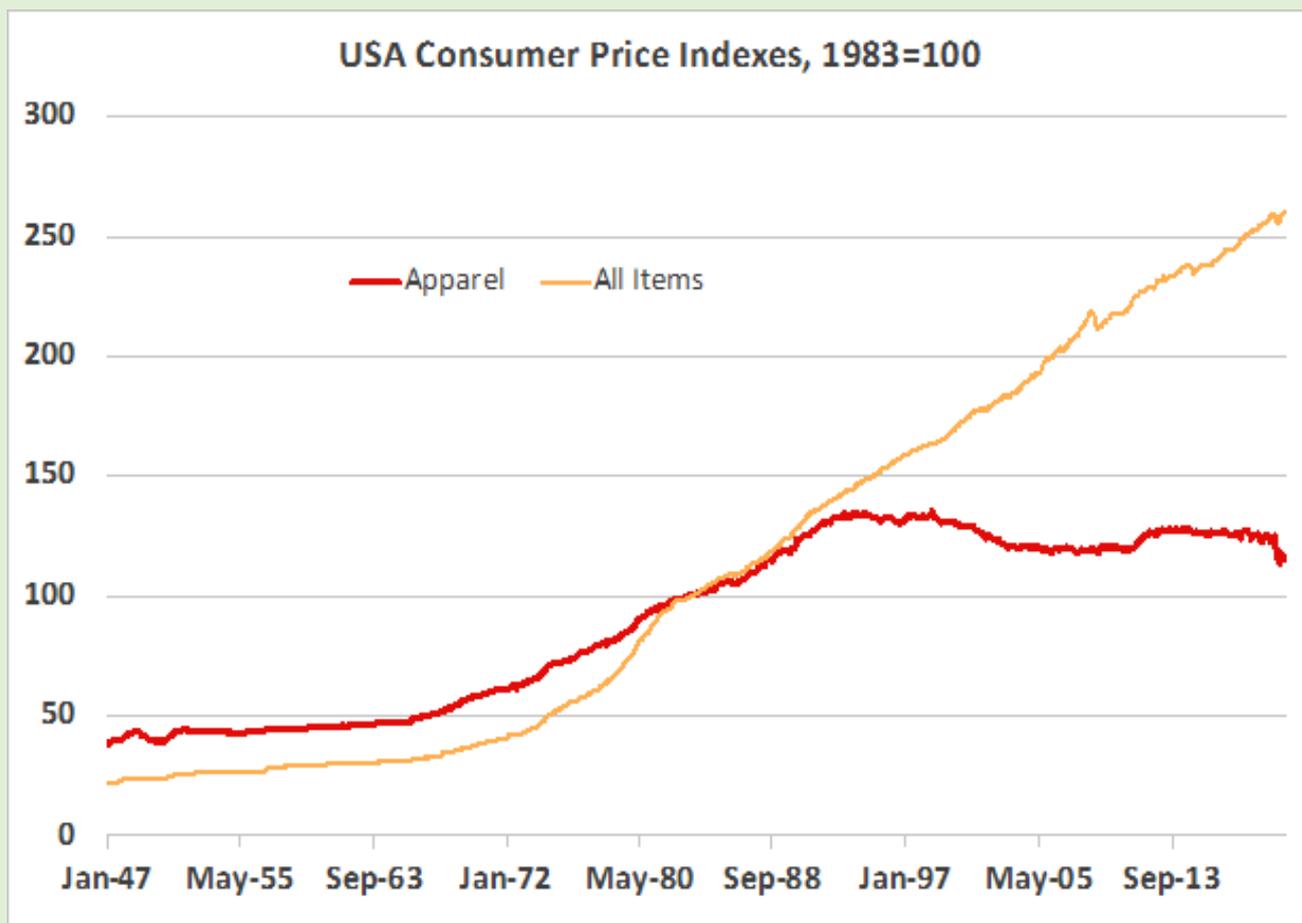
polyester prices on cotton demand. The impact of relative prices on cotton demand is apparently less than previously supposed on a year-to-year basis.

For decades from the 1970s to 2010, cotton and polyester prices were relatively equal, with one being above the other for a few years and then the other being higher for a few years. That relationship ended in 2010, when cotton prices spiked following the recession of 2008 and polyester prices have been substantially lower than cotton every year since.

For 2020, the Cotlook A Index is estimated at 71 cents per pound (Cotlook Data, reported by ICAC), while the average price of

polyester in China mill delivered is estimated at 38 cents per pound, a difference of 33 cents per pound. The difference is expanding; over the previous four years cotton prices averaged 27 cents per pound above polyester.

In an industry characterised by tight margins of less than a cent per yard, a price difference of 33 cents per pound is enormous and presents an almost irresistible incentive for brands and retailer to shift purchasing decisions in favour of polyester. It is a wonder that cotton mill use can be rising in a season in which polyester prices are 33 cents per pound lower.



Further, consumer price data indicate that margins in the clothing value chain are getting ever tighter, meaning that fibre prices are becoming ever more important. Data on consumer prices for all goods and services in the United States economy are available from just after World War II to the present.

From the 1940s through the mid-1980s, apparel items in general rose at approximately the same rate as prices for all items in the United States economy. However, since the late 1980s, prices of apparel and prices of all other goods and services have diverged. The Index of consumer prices for apparel (1983 = 100) peaked at 143 in early 1993 and has been trending downward during the last three decades.

As of October 2020, the CPI for apparel in the United States was 116. That means that on average across all apparel product lines from socks to wedding dresses, apparel costs 19% less in absolute terms than in 1993.

Meanwhile, the CPI for all goods and services in the United States rose to 260 in October 2020. That means that relative to prices for all goods and services in the United States in the 1980s, prices of apparel today are less than half of what they were.

Advances in textile and apparel manufacturing technology leading to increases in efficiency, shifts in the location of textile and apparel production to lower-cost environments, especially since the phase out of the Multifibre Arrangement at the end of 2004, and changes in fashion and consumer behavior to favour cheaper, less-durable apparel items worn fewer times before disposal, are all contributing to the relative abundance of apparel in the world and United States economies.

The relative abundance is reflected in lower retail prices, and lower retail prices mean the margins in the value chain are being pressured ever smaller by competition. Therefore, the abundance of polyester relative to cotton in the

## Revision in Testing Charges at CAI Laboratories

The following are the charges for cotton testing in the laboratories of the Cotton Association of India with effect from 1st October 2020.

Particulars	Per Sample Testing Fees in Rs.		
	Testing Fees	GST	Total
HVI Test	145	26	171
Micronaire Test	85	15	100
Colour Grade on HVI	85	15	100
Gravimetric Trash Test on HVI	85	15	100
Moisture	85	15	100
Grading (Manual Classing)	235	42	277

### VOLUME BASED DISCOUNTS

Particulars	Per Sample Testing Fees in Rs.		
	Testing Fees	GST	Total
For 250 samples and above but less than 500 samples	140	25	165
For 500 samples and above but less than 750 samples	135	24	159
For 750 samples and above but less than 1000 samples	130	23	153
For 1000 samples and above but less than 2000 samples	125	23	148
For 2000 samples and above but less than 5000 samples	120	22	142
For 5000 samples and above but less than 10,000 samples	115	21	136
For 10,000 samples and above	100	18	118

The fees under the above volume based discount scheme is payable within 15 days from the receipt of the invoices to be raised on monthly basis.

We would also like to inform that the parties can avail the benefit of testing of cotton at multiple laboratories of the Associations against the CAI Credits made by them.

We earnestly request you to avail the facility of testing at the Association's laboratories.

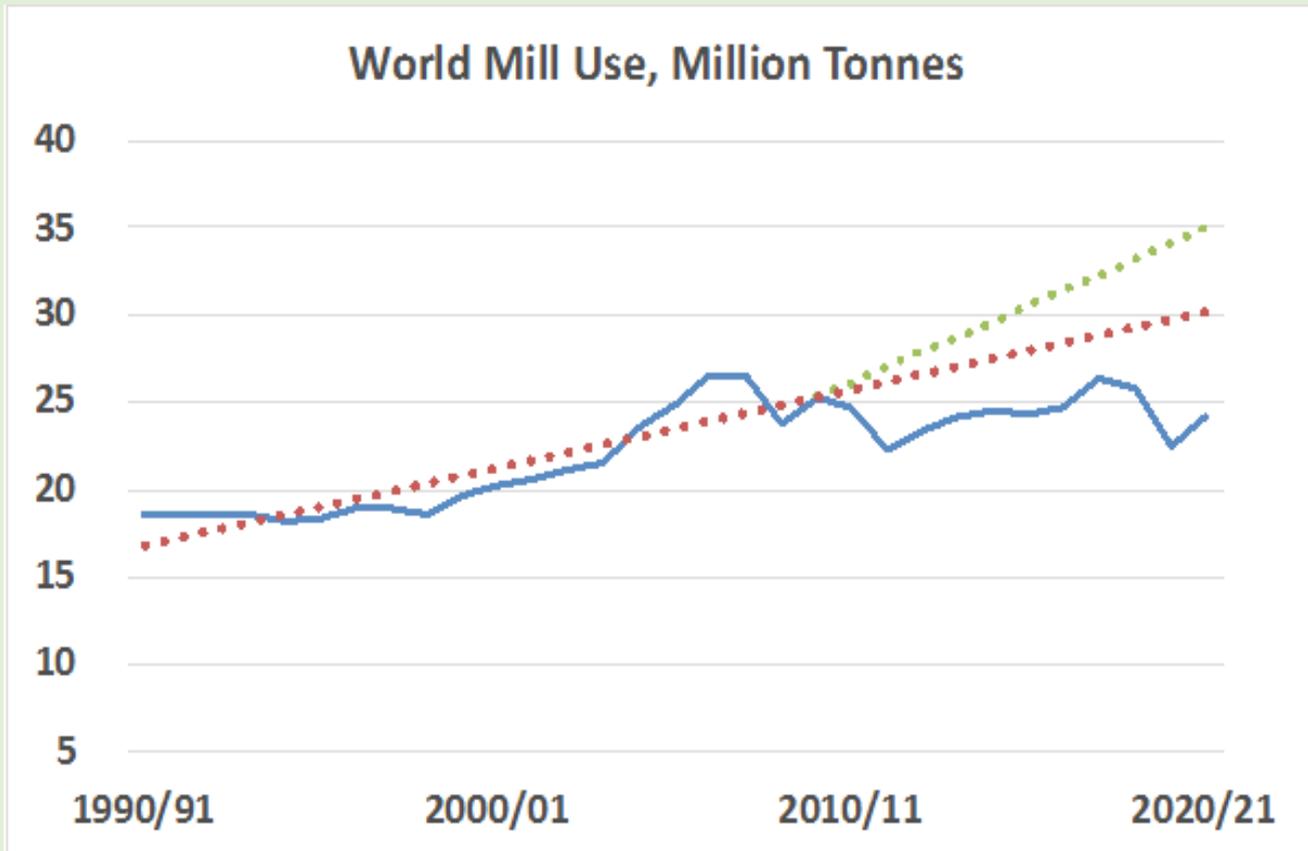


**COTTON  
ASSOCIATION  
OF INDIA**  
Established 1921  
ISO 9001:2015

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world economy, combined with competitive pressures to meet tighter margins by reducing costs, means increased use of polyester over time, and reduced use of cotton.

Thus, the expected rise in cotton mill use during 2020/21, despite negative GDP growth and low prices of polyester, indicates that factors other than economic relationships are supporting cotton consumption.

### Long Run Impacts

This does not mean that relative fibre prices are meaningless. A simple extrapolation of world cotton mill use from 1990/91 to 2009/10, indicates that world consumption today could be as much as 30 million tonnes. Since 2009, the world population has grown by 2 billion, adding 6 million tonnes to world cotton demand.

Since 2009, the world economy has grown by US\$28 trillion or nearly 50%, and that factor could have added an additional 4 million tonnes to world cotton mill use. Therefore, if polyester prices today were essentially the same as cotton, as was the case until 2009, world cotton mill

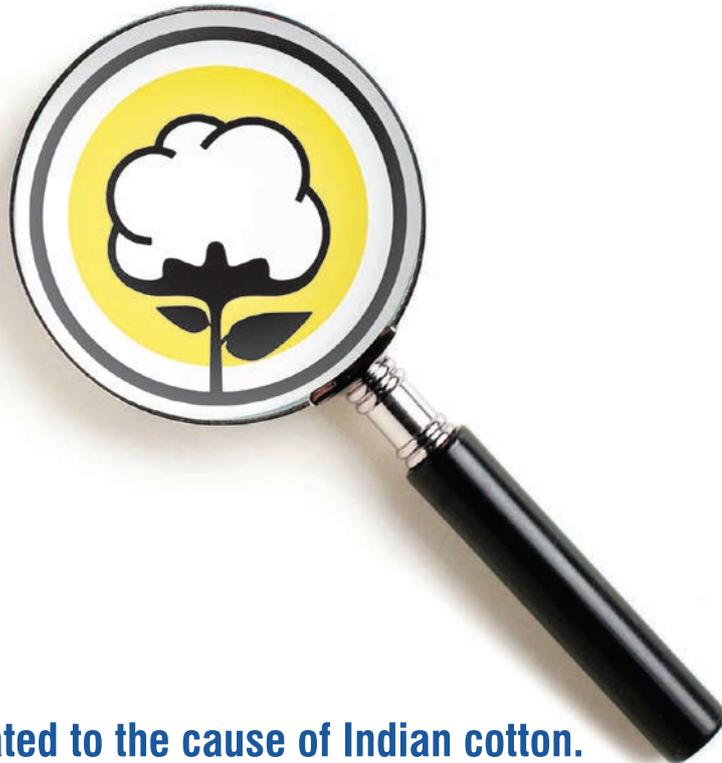
use might be as high as 35 million tonnes this season.

The actual cotton use this season will be between 6 million and 11 million tonnes lower than would be expected if cotton and polyester prices were still roughly the same. Low prices of polyester are having a cumulative negative impact on demand for cotton.

Cultural norms, comfort, look, feel, tradition, textile machinery settings, national policies, along with population growth: who knows why cotton mill use is rising in 2020/21 despite weak economic growth and low prices of polyester? Whatever the reasons, it is clear that the old econometric models don't work anymore, and factors other than income and prices are supporting the demand for cotton.

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

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## Since 1921, we are dedicated to the cause of Indian cotton.

Just one of the reasons, you should use our Laboratory Testing Services.

The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centres in India and are equipped with:

- State-of-the-art technology & world-class Premier and MAG cotton testing machines
- HVI test mode with trash% tested gravimetrically

### LABORATORY LOCATIONS

**Current locations :** • **Maharashtra :** Mumbai; Yavatmal; Aurangabad; Jalgaon • **Gujarat :** Rajkot; Ahmedabad • **Andhra Pradesh :** Adoni  
• **Madhya Pradesh :** Khargone • **Karnataka :** Hubli • **Punjab :** Bathinda • **Telangana :** Warangal, Adilabad



### COTTON ASSOCIATION OF INDIA

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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) 2019-20 Crop December 2020					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	7th	8th	9th	10th	11th	12th
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	7536 (26800)	7508 (26700)	7452 (26500)	7396 (26300)	7452 (26500)	7424 (26400)
								Spot Rate (Upcountry) 2020-21 Crop					
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	4%	15	10967 (39000)	10967 (39000)	10967 (39000)	10995 (39100)	11023 (39200)	11023 (39200)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 - 7.0	4.5%	15	11107 (39500)	11107 (39500)	11107 (39500)	11135 (39600)	11164 (39700)	11164 (39700)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	13%	20	-	-	-	-	-	-
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	4.5%	21	8436 (30000)	8436 (30000)	8436 (30000)	8436 (30000)	8464 (30100)	8436 (30000)
5	M/M (P)	ICS-104	Fine	24mm	4.0 - 5.5	4%	23	10517 (37400)	10517 (37400)	10517 (37400)	10517 (37400)	10545 (37500)	10545 (37500)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 - 4.9	4.5%	26	11192 (39800)	11248 (40000)	11248 (40000)	11276 (40100)	11360 (40400)	11360 (40400)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 - 3.4	4%	25	9364 (33300)	9364 (33300)	9308 (33100)	9308 (33100)	9336 (33200)	9336 (33200)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 - 4.9	4%	26	11360 (40400)	11389 (40500)	11389 (40500)	11417 (40600)	11501 (40900)	11501 (40900)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 - 3.4	4%	25	9870 (35100)	9870 (35100)	9842 (35000)	9842 (35000)	9870 (35100)	9870 (35100)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 - 4.9	3.5%	26	10348 (36800)	10348 (36800)	10348 (36800)	10348 (36800)	10404 (37000)	10404 (37000)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 - 4.9	4%	27	11445 (40700)	11473 (40800)	11473 (40800)	11501 (40900)	11614 (41300)	11614 (41300)
12	M/M(P)	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	11164 (39700)	11164 (39700)	11164 (39700)	11192 (39800)	11304 (40200)	11304 (40200)
13	SA/TL/K	ICS-105	Fine	28mm	3.7 - 4.5	3.5%	27	11248 (40000)	11248 (40000)	11248 (40000)	11276 (40100)	11389 (40500)	11389 (40500)
14	GUJ	ICS-105	Fine	28mm	3.7 - 4.5	3%	27	11220 (39900)	11220 (39900)	11220 (39900)	11248 (40000)	11360 (40400)	11360 (40400)
15	R(L)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	11332 (40300)	11332 (40300)	11332 (40300)	11360 (40400)	11473 (40800)	11473 (40800)
16	M/M(P)	ICS-105	Fine	29mm	3.7 - 4.5	3.5%	28	11417 (40600)	11417 (40600)	11417 (40600)	11445 (40700)	11529 (41000)	11529 (41000)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	11501 (40900)	11501 (40900)	11501 (40900)	11529 (41000)	11614 (41300)	11614 (41300)
18	GUJ	ICS-105	Fine	29mm	3.7 - 4.5	3%	28	11445 (40700)	11445 (40700)	11445 (40700)	11473 (40800)	11585 (41200)	11585 (41200)
19	M/M(P)	ICS-105	Fine	30mm	3.7 - 4.5	3.5%	29	11585 (41200)	11585 (41200)	11585 (41200)	11585 (41200)	11670 (41500)	11698 (41600)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 - 4.5	3%	29	11642 (41400)	11642 (41400)	11642 (41400)	11642 (41400)	11726 (41700)	11754 (41800)
21	M/M(P)	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)	12064 (42900)	12092 (43000)
22	SA/TL/K/TN/O	ICS-105	Fine	31mm	3.7 - 4.5	3%	30	12063 (42900)	12063 (42900)	12063 (42900)	12063 (42900)	12120 (43100)	12148 (43200)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 - 4.2	3%	31	12232 (43500)	12232 (43500)	12232 (43500)	12232 (43500)	12317 (43800)	12317 (43800)
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	15888 (56500)	15888 (56500)	15972 (56800)	16028 (57000)	16169 (57500)	16169 (57500)
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	34	16310 (58000)	16310 (58000)	16394 (58300)	16450 (58500)	16591 (59000)	16591 (59000)

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