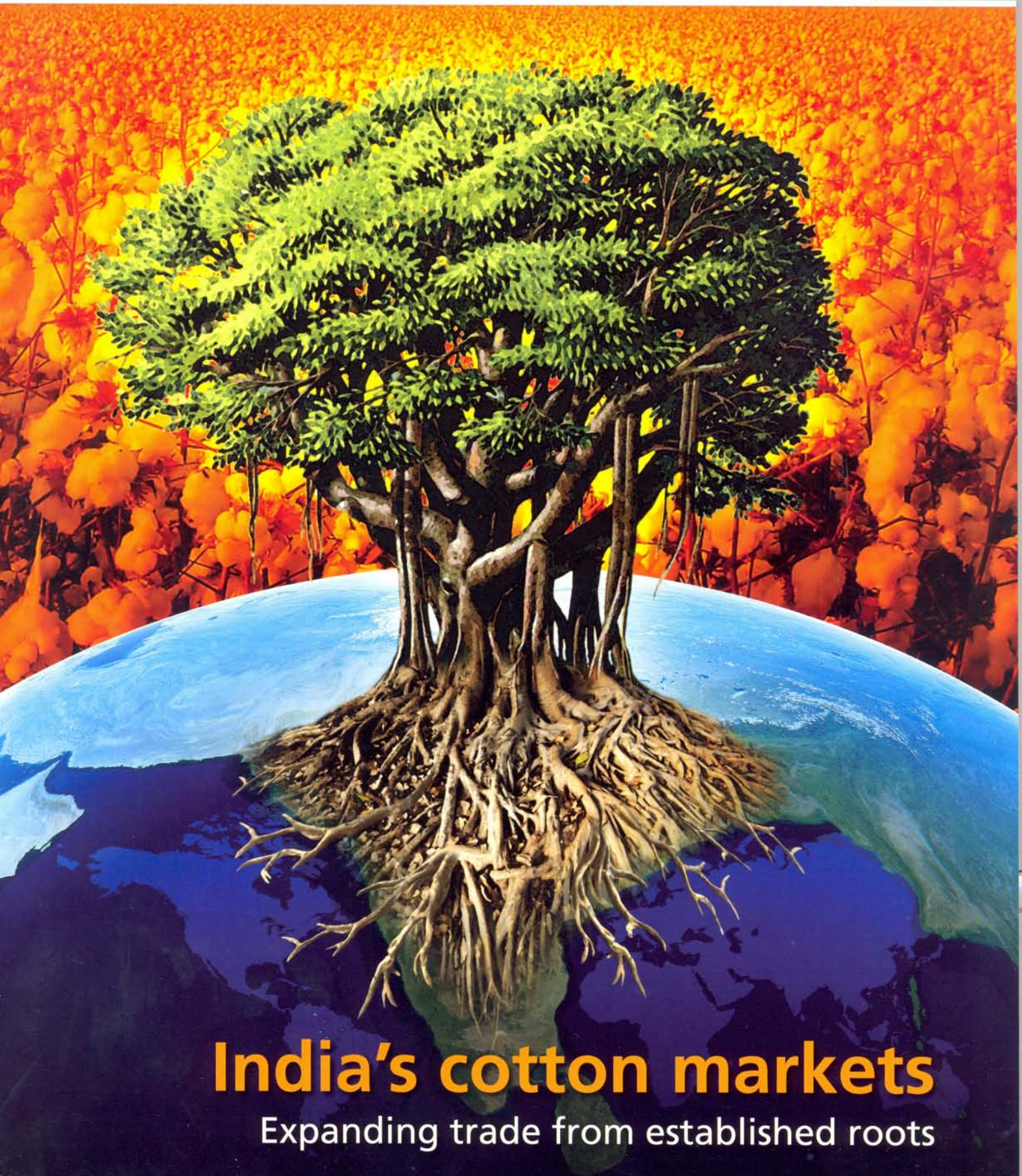


Cotton Outlook

Special Feature

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India's cotton markets

Expanding trade from established roots

Indian Cotton Industry at Crossroads



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India's cotton and textile industry today is experiencing exciting times, given the fact that India has achieved the status of being the second largest producer, consumer and exporter of cotton in the world. Being in such a dominant position, the cotton industry equally faces opportunities and challenges in the future. What we witness in India today, I call the 'push & pull' effect, and it is time to ensure that the cotton industry's future remains on the path of being progressive and different sectors of the industry realize the right path for this industry's future.

As we stand today, there is a general consensus that India will produce the largest cotton crop on record. Cotton consumption is also set to rise at a healthy pace.

For the cotton season 2013/14, I expect India's cotton production to achieve 6.4 million tonnes, with an upward bias, and cotton consumption in the region of 4.9 to 5.0 million tonnes.

India, this season, will have the capacity to export 1.6 million tonnes.

These numbers are very encouraging from a cotton grower's, cotton exporter's and textile mill's point of view, since there will be enough room for everyone to flourish. To continue this momentum into the future, it is imperative that India's policies are aimed toward a dynamic, free market and unrestricted environment, without any artificial government controls or policy flip-flops, the likes of which we have seen over the last 2 years. Again, there have been recent talks of the possible imposition of an export duty, and such measures if taken would have short-term gains but would cause long-term pains.

India's cotton yield for 2013/14 is forecast at 550 kgs per hectare, significantly lower than the current

forecast world average yield of 762 kg per hectare. In the years ahead, India's cotton production could reach world average yields and even surpass those levels, provided the Indian farmer keeps receiving the highest price for his seed cotton, be it as a result of cotton exports or from sales to the local textile industry.

Measures such as banning, suspending or limiting exports will only cause harm and dampen the cotton producer's enthusiasm for planting cotton, by encouraging a switch to competing crops.

Another important factor is that, even today, Indian cotton is undervalued from a price perspective, being sold at a discount of approximately 5 US cents per pound compared with West African cotton, when it could easily be sold at par. From a textile mill's point of view, whether local or overseas, the challenge remains to secure adequate raw material with less contamination, moisture and good packing to ensure that their final product, be it yarn or fabric, meet the criteria of their end customers. Projections are that the size of the Indian textile industry by 2020 will be in the region of US\$160 billion.

With globalisation, it is difficult to manage or manipulate domestic prices. In a buoyant global economy in which fibre demand is rising every year at a faster clip, we need to see the government, textile industry and trade work together under a common, coordinated, well-directed agenda with a clear focus. To ensure this happens, the industry as a whole needs to realize the following initiatives: better farm practices, development of pure & high quality seeds, continuous research and development, aim to reduce cotton contamination at the field level and the ginning and pressing stages and development of uniform cotton standards.

The urgent need of the hour is also to have a vibrant futures market for farmers, traders and textile mills to hedge their price risk.

Although cotton consumption is poised to grow year on year, consistent and market-friendly policies will be critical to ensure India's dominant position in the world market.

The price of cotton has to be determined by market forces and not through artificial measures. Contracts executed between willing buyer and willing seller must be honoured if confidence in trading is to be secured and enhanced.

By the time this publication is in the hands of the reader, I will be proud to have taken on the role as the 2013/14 President of the International Cotton Association, a body that aims to represent buyers and sellers of cotton that moves across international boundaries in a fair and equitable manner, to support the concept of sanctity of contract and assist in maintaining good order in world trade in cotton. The presidential role requires impartiality. As the first Indian national to occupy this demanding and prestigious post, however, it is my sincere wish that India's dominant position in the global cotton market is accompanied by responsibility and leadership.