Intervention by V.Srinivas, Joint Secretary to Government of India and Head of Indian Delegation at the 3rd Breakout Session on "Demand Enhancement: A Bargain at any Price" of the 70th Plenary Meetings of the International Cotton Advisory Committee dated September 8, 2011

Mr. Chairman, The subject of Demand Enhancement: A Bargain at any Price is a subject quite relevant to the cotton season 2011-12 when production exceeds consumption significantly and there are threats to downside mill use in the form of weak investment climate, high interest rates and high commodity inflation. What would be the policy of traders, ginners and textiles mills who find themselves locked up in protracted arbitration proceedings faced with liquidity shortages, a legacy of cotton season 2010-11. There would be price moderation with considerable slow down in prices as nobody has the carrying capacity to carry large stocks. If there would be competitive sales in first quarter of cotton season, we might well see cotton prices at their historical trend levels.

2. India begins cotton season 2011-12, with not too many forward sales. The speculative contracts that were witnessed in 2010-11 when traders sold cotton in forward sales without crop arrivals in the markets or their own contracts with ginners being firmed up is not present this time. The large scale contract defaults that were a feature of 2010-11 cotton season when the market was rising at a rapid pace may not happen this time. Textiles Mills in India are carrying adequate stocks till November 2011. It appears that the situation of Bangladesh Textiles Mills to enter into large scale forward contracts and China's willingness to replenish its strategic cotton reserve by 2 million tons remain shrouded with considerable uncertainty. Yet we have the highest crop size that we have ever had and a slowdown in our domestic textiles industry which may not turn around till the new year. India in cotton season 2011-12 would be in a position to achieve its highest ever exports and try to seek 20 percent of the cotton export market.

3. If the global slowdown in the textiles mill use were to continue, somebody has to bear the burden of carrying large cotton stocks, which points to several members in the cotton supply chain have to bear enormous costs. To ameliorate the burden of farmers in carrying large cotton stocks, India is preparing itself for Minimum Support Price operations in the States of Maharashtra, Gujarat and Andhra Pradesh which account for two thirds of our production. Given the significant correlation between Indian domestic prices and the Cotlook A index in conditions of normal trade, we feel that the situation remain immensely fluid and bargains would be struck at extremely competitive prices in the coming days.

4. Thank you Mr. Chairman.
