



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 9/1/2006

**GAIN Report Number:** IN6076

## India

### Cotton and Products

### Monthly Lock-up: September

### 2006

**Approved by:**

Holly Higgins

U.S. Embassy, New Delhi

**Prepared by:**

Santosh Kr. Singh

---

**Report Highlights:**

The MY 2006/07 cotton production estimate is revised downward to 26.0 million bales because of crop damage in some pockets in central India due to heavy August rains. Nonetheless, this will be the fourth consecutive record cotton harvest. Consumption is raised to 22.8 million bales due to sufficient supplies and growth in spinning capacities.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1]  
[IN]

---

**Table of Contents**

<b>SECTION I: SITUATION AND OUTLOOK</b> .....	<b>3</b>
MY 2006/07 Production Revised Lower .....	3
MY 2004/05 and 2005/06 Area Estimates Revised .....	3
Market Prices Firm on Expected Delay in New Crop Arrival.....	3
MY 2005/06 and 2006/07 Consumption Raised .....	3
<b>SECTION II: STATISTICAL TABLES</b> .....	<b>5</b>
Table 1: Commodity, Cotton (Metric Tons), PSD.....	5
Table 2: Commodity, Cotton (480 lb bales), PSD.....	6
Table 3: Area, Production & Yield of Cotton in Major States.....	7
Table 4: Month-end Prices of Popular Varieties .....	8
Table 5: Cotton Consumption by Organized Sector Mills by Months.....	9
Table 6: Cotton Consumption by Small-scale spinning Mills by Months .....	10

**SECTION I: SITUATION AND OUTLOOK**

Note: All cotton numbers in the text are in 170 kg bales unless stated otherwise.

**MY 2006/07 Production Revised Lower**

Post revises MY 2006/07 cotton production estimate marginally lower to 26.0 million bales on reported crop damage due to heavy rains and floods in August in some cotton growing pockets in central India. Nonetheless, this will be the fourth consecutive record cotton harvest. The August rains might delay new crop arrivals by 2 to 3 weeks in the region. Except for some parts of southern India, cotton planting is almost over. Based on the latest provisional cotton planting figures provided by state agricultural departments, cotton area is estimated at 9.2 million hectares (Table 3).

Most cotton growing areas received good rains in July and August providing optimal planting and growth conditions. Planting in northern regions (Punjab, Haryana and Rajasthan) was over by the first week of June, and in central region (Gujarat, Maharashtra and Madhya Pradesh) by mid-August. Planting in parts of the south India (Andhra Pradesh, Karnataka and Tamil Nadu) is expected to be over by first week of September. A small summer cotton crop in the south will be planted in November and December. Market sources report some shift in planted area towards cotton from other competing crops such as peanut, coarse cereals, sugarcane and rice in Gujarat, Maharashtra and Punjab.

Some pockets in the central states of Gujarat and Maharashtra received heavy rains in August causing flooding resulting in some crop damage. However, these rains also replenished soil moisture and improved yield prospects in this major non-irrigated cotton belt, partially offsetting the flood damage. The crop is progressing well under optimum growing conditions and does not show any major pest incidence. There are no reports of pest or disease incidence from central and south India. Although estimates are not yet available, market sources report that area planted to improved Bt cotton varieties during the current season increased two to three-fold over last years level of 2.5 million hectares. These factors support a higher MY 2006/07 cotton yield compared to MY 2005/06. Long wet spells in September, however, could hamper crop yield and quality, particularly the irrigated crops in north India and Gujarat.

**MY 2004/05 and 2005/06 Area Estimates Revised**

Based on the latest estimates from the Ministry of Agriculture, MY 2004/05 and 2005/06 cotton area is revised to 8.79 and 8.87 million hectares, respectively.

**Market Prices Firm on Expected Delay in New Crop Arrival**

Domestic cotton prices have firmed in August (Table 4) on expected delays in market arrivals of the new crop and strong export demand. Current prices of most staple varieties are 4 to 8 percent higher over end-July prices. Prices are expected to ease when the new crop arrivals gain pace from early November. However, due to strong export demand for Indian cotton, international prices will largely guide domestic prices movements during the season.

**MY 2005/06 and 2006/07 Consumption Raised**

MY 2005/06 consumption is revised to 21.5 million bales (18.0 million bales mill consumption, 1.9 million bales consumption by small scale units and 1.6 million bales loose domestic consumption) based on latest official figures (see Tables 5 and 6). Post's MY 2006/07 consumption estimate is revised higher to 22.8 million bales. The growth in

consumption will be fueled by large domestic supplies, expected high prices for man-made fiber and yarn, and continued expansion in domestic spinning capacity. Industry sources report that about 1.4 million new spindles came on line in 2005, and expect 2.0 to 2.5 million new spindles to be added annually in the next 3 to 4 years.

## SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (Metric Tons), PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES)	(METRIC TONS)				
		2004		2005		2006	UOM
	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	
Market Year Begin		8/2004		8/2005		8/2006	(MONTH/YEAR)
Area Planted	8920000	8786000	8830000	8873000	9250000	9200000	(HECTARES)
Area Harvested	8920000	8786000	8830000	8873000	9250000	9200000	(HECTARES)
Beginning Stocks	911403	911403	1908156	1908156	2027905	1812983	METRIC TONS
Production	4136805	4136805	4180350	4180350	4572258	4420000	METRIC TONS
Imports	226000	226000	87091	87091	108863	108863	METRIC TONS
TOTAL SUPPLY	5274208	5274208	6175597	6175597	6709026	6341846	METRIC TONS
Exports	143700	143700	707611	707611	925338	925338	METRIC TONS
USE Dom. Consumption	2988430	2988430	3168081	3383003	3340920	3570000	METRIC TONS
Loss Dom. Consumption	233922	233922	272000	272000	306000	306000	METRIC TONS
TOTAL Dom. Consumption	3222352	3222352	3440081	3655003	3646920	3876000	METRIC TONS
Ending Stocks	1908156	1908156	2027905	1812983	2136768	1540508	METRIC TONS
TOTAL DISTRIBUTION	5274208	5274208	6175597	6175597	6709026	6341846	METRIC TONS

Note: Production figures for MY 2004, 2005, and 2006 include 1.2 million bales (170 kg) of loose cotton.

Table 2: Commodity, Cotton (480 lb bales), PSD

PSD Table							
Country:	India				Conversion	0.004592917	
Commodity:	Cotton						
		2004		2005		2006	UOM
	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	
Market Year Begin		8/2004		8/2005		8/2006	(MONTH/YEAR)
Area Planted	8920000	8786000	8830000	8873000	9250000	9200000	(HECTARES)
Area Harvested	8920000	8786000	8830000	8873000	9250000	9200000	(HECTARES)
Beginning Stocks	4186	4186	8764	8764	9314	8327	1,000 480lb bales
Production	19000	19000	19200	19200	21000	20301	1,000 480lb bales
Imports	1038	1038	400	400	500	500	1,000 480lb bales
TOTAL SUPPLY	24224	24224	28364	28364	30814	29128	1,000 480lb bales
Exports	660	660	3250	3250	4250	4250	1,000 480lb bales
USE Dom. Consumption	13726	13726	14551	15538	15345	16397	1,000 480lb bales
Loss Dom. Consumption	1074	1074	1249	1249	1405	1405	1,000 480lb bales
TOTAL Dom. Consumption	14800	14800	15800	16787	16750	17802	1,000 480lb bales
Ending Stocks	8764	8764	9314	8327	9814	7075	1,000 480lb bales
TOTAL DISTRIBUTION	24224	24224	28364	28364	30814	29128	1,000 480lb bales

Note: Production figures for MY 2004, 2005, and 2006 include 1.2 million bales (170 kg) of loose cotton.

**Table 3: Area, Production & Yield of Cotton in Major States**

(Area 000 ha; Production 000 bales of 170 kgs, Yield Kgs/ha)

						Final	Revised	Estimated	Forecast
STATE		1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Maharashtra	Area	3254	3077	2980	2800	2766	2840	2889	3050
	Production	3650	2050	3425	2600	3100	5200	3600	4000
	Yield	191	113	195	158	191	311	212	223
Gujarat	Area	1516	1615	1687	1634	1647	1906	2077	2330
	Production	2850	2400	3250	3050	5000	7300	8900	9600
	Yield	320	253	328	317	516	651	728	700
M.P.	Area	525	506	623	545	591	576	600	590
	Production	1550	1750	2000	1800	1965	1600	1800	1750
	Yield	502	588	546	561	565	472	510	504
Punjab	Area	475	474	600	449	452	509	557	618
	Production	800	900	925	750	1035	1650	2100	2500
	Yield	286	323	262	284	389	551	641	688
Haryana	Area	546	555	610	519	526	621	583	524
	Production	1050	1000	550	875	1150	1550	1400	1400
	Yield	327	306	153	287	372	424	408	454
Rajasthan	Area	583	510	347	386	344	438	472	350
	Production	1300	1050	700	500	915	1100	1100	900
	Yield	379	350	343	220	452	427	396	437
A.P.	Area	1040	1022	1002	803	837	1178	1037	1000
	Production	2200	2500	2675	1975	2740	3250	3200	3200
	Yield	360	416	454	418	557	469	525	544
Karnataka	Area	600	560	591	393	313	521	450	520
	Production	800	800	700	500	420	800	650	800
	Yield	227	243	201	216	228	261	246	262
Tamil Nadu	Area	185	193	200	85	103	129	136	140
	Production	550	550	500	300	375	550	550	550
	Yield	505	484	425	600	619	725	688	668
Others	Area	67	64	90	53	51	68	72	78
	Production	150	100	75	100	100	100	100	100
	Yield	381	266	142	321	333	250	236	218
All-India	Area	8791	8576	8730	7667	7630	8786	8873	9200
	Production	14900	13100	14800	12450	16800	23100	23400	24800
	Yield	288	260	288	276	374	447	448	458

Note: Production figures for MY 1999/2000 to MY 2006/07 in the PS&D include loose cotton estimates.

**Table 4: Month-end Prices of Popular Varieties**  
(Rupees per ton)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2004/05						
Aug	48930	60180	61870	65520	71430	85790
Sept	41340	48930	53990	55680	64680	84360
Oct	40770	43590	48930	49770	59050	81550
Nov	37120	38520	43870	46680	54840	80430
Dec	35430	39930	43590	46120	54270	80700
Jan	34870	39370	42180	44710	54550	80140
Feb	33460	39930	41340	45270	53990	84360
Mar	34030	41340	43870	46960	56800	88580
Apr	35710	41900	44150	46120	57370	88580
May	37120	43310	44150	46400	57930	88580
June	35990	44150	44430	47240	57930	91390
July	36560	44150	44710	47810	57090	89990
2005/06						
Aug	35150	43030	43870	46680	56240	89430
Sep	35150	41620	44430	50620	53990	88580
Oct	36840	41900	46400	48650	53990	88580
Nov	40490	42740	47520	48930	57930	109670
Dec	39370	44150	47810	50620	63270	126540
Jan	37400	42460	47520	51180	62990	122330
Feb	36560	42740	46680	51180	62990	112490
Mar	35430	42460	46960	51180	61860	116700
Apr	39090	46400	47800	51740	61860	118100
May	37400	44990	45270	50330	58210	118100
Jun	39090	47240	47240	51460	57360	118100
July	41620	47800	50620	53710	57650	112480
2006/07						
Aug	41900	49490	52870	58210	60180	111070

Source: East India Cotton Association (EICA), Mumbai.

**Table 5: Cotton Consumption by Organized Sector Mills by Months**  
(100,000 bales of 170 kg each)

Month\Year	2001/02	2002/03	2003/04	2004/05	2005/06
Aug	12.40	12.65	11.31	12.86	15.73
Sept	12.05	12.39	11.07	12.49	13.70
Oct	11.83	12.45	10.92	12.97	13.97
Nov	11.48	11.69	11.90	12.49	13.60
Dec	12.54	12.62	12.97	13.83	14.75
Jan	12.54	12.38	12.95	13.16	14.84
Feb	11.71	11.41	12.44	12.77	13.80
Mar	12.37	12.21	13.04	13.75	15.49
Apr	12.25	11.71	12.52	13.60	
May	12.32	12.37	12.75	14.05	
Jun	12.16	11.40	12.61	13.89	
Jul	12.70	11.80	12.94	14.04	
<b>TOTAL</b>	146.35	145.08	147.42	159.90	115.88

Note: Figure in bold are provisional estimates.

Source: The Textile Commissioners' Office, Government of India (GOI).

**Table 6: Cotton Consumption by Small-scale spinning Mills by Months**  
(100,000 bales of 170 kg each)

Month\Year	2003/04	2004/05	2005/06
Aug	1.06	1.18	1.56
Sept	1.06	1.19	1.49
Oct	0.95	1.23	1.47
Nov	1.00	1.23	1.49
Dec	1.07	1.36	1.60
Jan	1.03	1.30	1.56
Feb	1.05	1.26	1.44
Mar	1.10	1.42	<b>1.70</b>
Apr	1.08	1.38	
May	1.08	1.40	
Jun	1.10	1.38	
Jul	1.16	1.56	
FAS Adj	0.76		
TOTAL	13.50	15.89	12.31

Note: Figures in bold are provisional estimates.

Source: The Textile Commissioners' Office, Government of India (GOI).