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Report Highlights:

Post's MY 2007/08 cotton production forecast is raised marginally higher to 23.9 million bales on improved yield prospects in central/southern India. Consumption is revised lower to 19.0 million bales on poor export demand for cotton textiles. Exports are revised higher to 5.1 million bales on strong international cotton prices.

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Table of Contents**SECTION I: SITUATION AND OUTLOOK 3**

Table 1: Commodity, Cotton (480 lb bales), PSD 3

MY 2007/08 Record Production Raised Marginally 3

Prices Firm on Strong Export Demand 4

Consumption Lowered on Depressed Demand 4

Exports Prospects Improve on Strong International Prices 4

SECTION II: Statistical Tables 5

Table 2: Area, Production & Yield of Cotton in Major States 5

Table 3: Month-end Prices of Popular Varieties 6

Table 4: Cotton Consumption by Mills and Small Sector Units by Month 7

SECTION I: SITUATION AND OUTLOOK

Table 1: Commodity, Cotton (480 lb bales), PSD

PSD Table									
Country	India								
Commodity	Cotton								
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08/2005	08/2005		08/2006	08/2006		08/2007	08/2007
Area Planted	0	8873	0	0	9158	9158	0	9500	9520
Area Harvested	8873	8873	8873	9166	9158	9158	9500	9500	9520
Beginning Stocks	8764	8764	8764	8264	8264	8264	7164	7577	7228
Production	19050	19050	19050	21800	21863	21863	23500	23500	23900
Imports	400	400	400	400	350	400	400	400	400
MY Imports from U.S.	0	118	0	0	0	0	0	0	0
Total Supply	28214	28214	28214	30464	30477	30527	31064	31477	31528
Exports	3450	3450	3450	5100	4400	5100	5000	3900	5100
Use	16500	15267	16500	18200	17100	16823	19300	18900	17650
Loss	0	1233	0	0	1400	1376	0	1500	1350
Total Dom. Cons.	16500	16500	16500	18200	18500	18199	19300	20400	19000
Ending Stocks	8264	8264	8264	7164	7577	7228	6764	7177	7428
Total Distribution	28214	28214	28214	30464	30477	30527	31064	31477	31528

Note: Production figures in the table include 937,000 bales of loose cotton

MY 2007/08 Record Production Raised Marginally

The Post MY 2007/08 cotton production forecast is raised marginally higher to a record 23.9 million bales¹ based on the latest cotton market arrivals and crop condition reports in the major cotton growing states. Most cotton growing areas received good rains during September, which has improved yield prospects in the rainfed central and southern states. Based on the latest² cotton planting estimates in various states compiled by the Ministry of Agriculture, MY 2007/08 cotton area is raised marginally to 9.52 million hectares. Current production forecasts from various industry sources vary from 22.6 to 24.6 million bales (29.0 to 31.5 million Indian bales of 170 kg). The Cotton Advisory Board (CAB) is scheduled to meet in early December, wherein they will come out with the first PSD estimates for the MY 2007/08 season.

Most cotton growing areas received good late-season rains in September establishing excellent growing conditions for the crop. There have been some reports of damage due to heavy rains and some minor pest (white fly/mealy bug) infestations in the north (Punjab/Haryana) and some pockets in Gujarat. However, improved yield prospects in the

¹ India's fifth consecutive record crop.

² Provisional estimates subject to further revision.

major rainfed cotton growing belt in Gujarat, Maharashtra, Madhya Pradesh, Andhra Pradesh and Karnataka will more than offset these losses (see table 3). Post contacts report that the harvest is progressing well under ideal weather conditions in most states. Market arrivals of cotton through November 24, 2007 are estimated at 6.2 million bales compared to 4.6 million bales during the same period last year, supporting Post's record production estimate. Market sources report that early season arrivals have been heavy due to relatively strong cotton prices and expectations of weakening prices later on as a result of the upcoming record crop.

Prices Firm on Strong Export Demand

Despite heavy market arrivals, domestic prices were relatively firm on strong export demand. The strong international cotton prices have more than offset the disadvantage of the Indian rupee value appreciation, as a significant portion of the cotton arrivals thus far have been picked up by exporters. The spot prices of commonly exported varieties are currently trading at 60 to 68 cents/lb. Although the domestic prices are likely to closely follow international cotton price movements during the upcoming season, prices are expected to ease in December/January as arrivals gain pace in most growing areas.

Consumption Lowered on Depressed Demand

Post's MY 2007/08 consumption forecast has been revised lower to 19.0 million bales on weak export demand for cotton yarn and textiles due to the recent appreciation in value of Indian rupee vis-à-vis U.S. dollar. The available monthly estimates for cotton consumption by the local industry (see table 4) shows a gradual slowdown in the growth of cotton consumption. Although official figures are not available for August 2007, market sources report a further slowdown in the growth in cotton consumption due to declining export sales and shrinking profit margins due to the strong appreciation of the value of the local currency compared to the other competing suppliers. Industry sources also report a slowdown in domestic demand for textiles and clothing. Consequently, Post has scaled down the earlier consumption forecast from 20.4 million bales to 19.0 million bales, an increase of about 4.4 percent over last year.

Exports Prospects Improve on Strong International Prices

Comparatively strong international cotton prices have raised export prospects for Indian cotton. Consequently, Post's MY 2007/08 export forecast is raised higher to 5.1 million bales.

Market sources report that Indian cotton is currently amongst the cheapest cotton vis-à-vis comparable cotton from other origins. Although official figures are not available, market sources report that about 2.0 to 2.3 million bales have already been contracted for export, mainly for China, Pakistan, Turkey, Bangladesh and South Asian countries. Most of the export contracts have been for Shankar-6 (28 mm at 64-68 cents/lb.) for delivery through early January. Industry sources expect exports to gain pace in December/January as domestic prices ease on increased arrivals, and overall exports to reach at least last year's level.

SECTION II: Statistical Tables

Table 2: Area, Production & Yield of Cotton in Major States

(Area in 000 hectares, Production in 000 bales of 480 lb., Yield in Kg/Hectare)

				Final	Final	Final	Revised	Estimated
STATE		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Maharashtra	Area	2980	2800	2766	2840	2889	3124	3189
	Production	2674	2030	2420	4060	2811	4060	4841
	Yield	195	158	191	311	212	283	331
Gujarat	Area	1687	1634	1647	1906	2077	2390	2517
	Production	2538	2381	3904	5700	6949	7886	8589
	Yield	328	317	516	651	728	718	743
Madhya Pradesh	Area	623	545	591	576	600	630	662
	Production	1562	1405	1534	1249	1405	1405	1562
	Yield	546	561	565	472	510	486	514
Punjab	Area	600	449	452	509	557	588	648
	Production	722	586	808	1288	1562	2030	2030
	Yield	262	284	389	551	610	752	682
Haryana	Area	610	519	526	621	583	533	478
	Production	429	683	898	1210	1015	1249	1171
	Yield	153	287	372	424	379	510	533
Rajasthan	Area	347	386	344	438	472	350	365
	Production	547	390	714	859	859	625	703
	Yield	343	220	452	427	396	389	419
Andhra Pradesh	Area	1002	803	837	1178	1037	962	1096
	Production	2089	1542	2139	2538	2499	2733	3123
	Yield	454	418	557	469	525	619	620
Karnataka	Area	591	393	313	521	450	370	360
	Production	547	390	328	625	508	468	468
	Yield	201	216	228	261	246	276	283
Tamil Nadu	Area	200	85	103	129	136	133	130
	Production	390	234	293	429	429	390	390
	Yield	425	600	619	725	688	639	654
Others	Area	90	53	51	68	72	78	75
	Production	59	78	78	78	78	78	78
	Yield	142	321	333	250	236	218	227
Loose	Production	781	898	859	937	937	937	937
All-India	Area	8730	7667	7630	8786	8873	9158	9520
	Production	12337	10619	13976	18973	19051	21862	23892
	Yield	308	302	399	470	467	520	546

Table 3: Month-end Prices of Popular Varieties
(Prices in Rupees per metric tons)

Year	Bengal Deshi	SG J-34	H-4	Shankar-6	MCU-5	DCH-32
	(below 22 mm)	(25 mm)	(28 mm)	(29 mm)	(33 mm)	(35 mm)
2006/07						
Aug	41620	48930	52020	57360	60180	111070
Sep	41900	45830	50050	53150	59610	108260
Oct	41340	44990	48930	51740	58490	97010
Nov	40770	43310	48090	50330	73110	90000
Dec	39930	43590	47800	50330	73110	90000
Jan	37680	43300	48650	50620	58490	90000
Feb	41060	48090	51740	52870	61300	92800
Mar	41060	51740	53430	54830	62430	92800
Apr	41340	50330	51740	52300	61860	89980
May	42180	52300	52300	54270	61860	89980
June	42180	52580	52870	54270	61860	88580
July	44990	54830	56240	57360	63270	91390
Average	41338	48318	51155	53286	62964	94323
2007/08						
Aug	43870	53150	55400	57360	63270	89980
Sept	43870	52020	56520	58490	63270	89980
Oct	42740	50050	53990	56240	63270	80140
27-Nov	43020	51180	53430	55400	58490	80140

Source: Cotton Association of India (earlier called East India Cotton Association)

Table 4: Cotton Consumption by Mills and Small Sector Units by Month
(Figures in Million U.S. bales)

Month\Year	2004/05	2005/06	2006/07
Aug	1.096	1.350	1.402
Sept	1.068	1.186	1.400
Oct	1.109	1.206	1.353
Nov	1.071	1.178	1.391
Dec	1.186	1.277	1.444
Jan	1.129	1.281	1.423
Feb	1.095	1.190	1.336
Mar	1.184	1.342	1.436
Apr	1.170	1.277	1.410
May	1.206	1.312	1.397
Jun	1.192	1.309	1.394
Jul	1.218	1.360	1.438
TOTAL	13.726	15.267	16.823

Source: The Textile Commissioner's Office