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Cotton and Products

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Report Highlights:

Post continues to forecast MY 2008/09 cotton production at 24.0 million bales from 9.1 million hectares. With the revival of monsoon rains in late July, cotton planting in the central and southern states has recovered and the crop is progressing well with no reports of major pest/disease incidences. Based on the latest market arrival estimates, MY 2007/08 production is revised marginally lower to 24.6 million bales. Other PSD estimates remain unchanged from Post's August 2008 Cotton Update (IN8087)

Includes PSD Changes: Yes
Includes Trade Matrix: No
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SECTION I – SITUATION AND OUTLOOK

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

Cotton India	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Aug 2006			Market Year Begin: Aug 2007			Market Year Begin: Jun 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	0	9142	9142	0	9550	9550	0	9100	9100
Area Harvested	9166	9142	9142	9550	9550	9550	9100	9100	9100
Beginning Stocks	8064	8064	8064	7664	7664	7664	7314	7454	7114
Production	21800	21800	21800	24800	25000	24600	24000	24000	24000
Imports	465	465	465	450	390	450	800	800	800
MY Imports from U.S.	0	0	157	0	0	195	0	0	250
Total Supply	30329	30329	30329	32914	33054	32714	32114	32254	31914
Exports	4565	4565	4565	7200	7200	7200	6250	6250	6250
Use	18100	18100	18100	18400	18400	18400	18500	17200	17200
Loss	0	0	0	0	0	0	0	1300	1300
Total Dom. Cons.	18100	18100	18100	18400	18400	18400	18500	18500	18500
Ending Stocks	7664	7664	7664	7314	7454	7114	7364	7504	7164
Total Distribution	30329	30329	30329	32914	33054	32714	32114	32254	31914

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

Production

The Post continues to estimate MY 2007/08 cotton production at 24.6 million bales, unchanged from the August 2008 update (IN8087). The progress of cotton planting in central and southern states recovered strongly in late July with the revival of monsoon rains, and is almost complete, except for some pockets in Maharashtra and southern India. However, planting of rainfed cotton in the central states was delayed by about 2-3 weeks compared to last year. Based on the provisional planting estimates from the state agricultural departments (see Table 3), MY 2008/09 area is estimated at 9.1 million hectares, nearly 5 percent lower than last year due to area shift from cotton to competing crops in north India and Gujarat (see IN8087). Despite delayed planting, overall favorable weather conditions, absence of major pest or disease outbreaks in most growing areas, and an increased share of Bt cotton hybrids vis-à-vis conventional varieties should support a higher yield for the upcoming crop compared to last year. Early industry estimates for the upcoming crop range from 23.4 to 25.4 million bales (30.0 to 32.5 million Indian bales of 170 kg).

The crop is progressing well under adequate moisture conditions in most cotton growing areas. Market sources report a significant increase in area under officially approved Bt cotton varieties compared to last year in most states. The official Bt cotton hybrids are mostly replacing lower yielding traditional cotton varieties and unapproved Bt hybrid seeds (including illegally produced Bt hybrids and F1 and F2 generation seeds of official hybrids). Although there are some reports of minor pest (mealy bug) incidences in some pockets of north India, the level is much lower than last year. The cotton crop in central and southern

India is free of any major pest and diseases. These factors together support a higher yield for the MY 2008/09 crop. However, rains during September could hamper crop yield and quality, particularly in north India and parts of Gujarat.

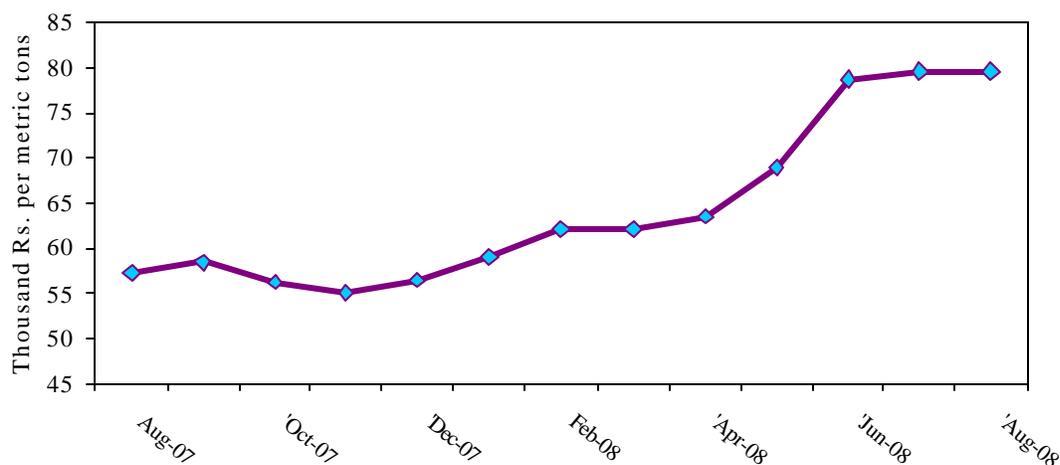
MY 2007/08 Production Revised Lower

Post's MY 2007/08 production estimate has been revised marginally to lower 24.6 million bales from the earlier estimate of 25.0 million bales based on the latest official market arrival estimates (arrival up to August 14, 2008 is estimated at 24.54 million bales¹).

Prices Stabilize on Improved Crop Prospects

After an increasing trend during April through July, domestic cotton prices have eased in August (see Table 4) due to the expectation of a large upcoming crop. Current prices of most staple varieties range from 80 to 89 cents/lbs, marginally lower than July prices, but 30 to 42 percent higher than prices in August 2007.

Fig 1: Shankar -6 Cotton Prices



Source: Cotton Association of India (Formerly East India Cotton Association)

Prices are expected to remain stable until mid-October, but likely to ease as arrivals gain pace in north India and Gujarat. However, international prices will largely guide domestic price movements during the season due to the strong export demand for Indian cotton and favorable prospects for imports due to removal of the import duty on cotton.

¹ For the latest market arrival and state-wise breakout, refer Cotton Corporation of India website <http://cotcorp.com/CURRENT2.html>.

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)

STATE		Final 2003/04	Final 2004/05	Final 2005/06	Final 2006/07	Revised 2007/08	Revised 2008/09
Maharashtra	Area	2766	2840	2889	3107	3191	3000
	Production	2420	4060	2811	3904	4841	4685
	Yield	191	311	212	274	330	340
Gujarat	Area	1647	1906	2077	2390	2516	2355
	Production	3904	5700	6949	8042	8745	8198
	Yield	516	651	728	733	757	758
Madhya Pradesh	Area	591	576	600	639	662	640
	Production	1534	1249	1405	1484	1640	1562
	Yield	565	472	510	505	539	531
Punjab	Area	452	509	557	607	641	560
	Production	808	1288	1562	1874	1718	1718
	Yield	389	551	610	672	583	668
Haryana	Area	526	621	583	530	483	418
	Production	898	1210	1015	1171	1249	1171
	Yield	372	424	379	481	563	610
Rajasthan	Area	344	438	472	350	368	220
	Production	714	859	859	703	703	468
	Yield	452	427	396	437	416	464
Andhra Pradesh	Area	837	1178	1037	972	1096	1300
	Production	2139	2538	2499	2811	3631	4060
	Yield	557	469	525	630	721	680
Karnataka	Area	313	521	450	378	388	380
	Production	328	625	508	468	625	625
	Yield	228	261	246	270	351	358
Tamil Nadu	Area	103	129	136	100	130	150
	Production	293	429	429	390	351	429
	Yield	619	725	688	850	588	623
Others	Area	51	68	72	71	80	80
	Production	78	78	78	78	156	156
	Yield	333	250	236	239	425	425
Loose	Production	859	937	937	937	937	937
All-India	Area	7630	8786	8873	9144	9555	9103
	Production	13976	18973	19051	21862	24595	24009
	Yield	399	470	467	521	560	574

Table 3: State wise Cotton Sowing Progress²
(Area in 100,000 hectares)

State	MY 2008/09		MY 2007/08	
	July 24	August 22	July 24	August 22
Maharashtra	22.50	29.57	26.19	31.71
Gujarat	19.57	23.54	21.00	25.03
Madhya Pradesh	6.12	6.38	6.30	6.24
Punjab	5.60	5.60	6.04	6.04
Haryana	4.18	4.18	4.83	4.83
Rajasthan	1.81	2.17	3.68	3.68
Andhra Pradesh	7.67	12.73	8.70	10.53
Karnataka	1.52	1.98	1.75	2.05
Tamil Nadu	0.10	0.13	0.06	0.11
Others	0.67	0.77	0.68	0.69
Total	69.74	87.05	79.23	90.89

Source: Directorate of Cotton Development, Ministry of Agriculture, Mumbai

² Planting will continue till 2nd week of September in southern states. Besides, a small summer cotton crop in south will be planted in November/December

Table 4: Month-end Prices of Popular Varieties
(Prices in Rupees per metric tons)

Year	Bengal Deshi (below 22 mm)	SG J-34 (25 mm)	H-4 (28 mm)	Shankar-6 (29 mm)	MCU-5 (33 mm)	DCH-32 (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
2007/08						
Aug	43870	53150	55400	57360	63270	89980
Sept	43870	52020	56520	58490	63270	89980
Oct	42740	50050	53990	56240	63270	80140
Nov	47240	51740	52430	55120	58490	80140
Dec	47800	52870	54270	56520	59900	80140
Jan	47800	54550	56520	59050	61300	82670
Feb	47240	56800	59050	62140	63550	87170
Mar	53430	56800	59900	62140	68050	87170
Apr	54550	57930	61860	63550	68890	87170
May	65800	68610	66080	68890	73390	89980
June	69170	77610	78450	78740	81550	92800
July	70300	77050	78740	79580	84640	93640
2008/09						
Aug 28	75360	72830	78450	79580	82390	91390

Source: Cotton Association of India (Formerly East India Cotton Association), Mumbai