

**Voluntary Report** – Voluntary - Public Distribution

**Date:** May 08,2020

**Report Number:** IN2020-0028

**Report Name:** Cotton and Products Update - April 2020

**Country:** India

**Post:** Mumbai

**Report Category:** Cotton and Products

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**Report Highlights:**

Post estimates cotton production at 28.5 million 480-lb. bales for marketing year (MY) 2020/21 on an area of 12.64 million hectares. Cotton planting is underway in Northern India, even as farmers grapple with issues in transporting existing stocks, the lack of buyers, and prices well below the minimum support price. Despite government exemptions for agricultural activities during the nation-wide lockdown, the impact of COVID-19 was more severe in April as cotton gins remain closed, government procurement came to a halt, and mill operations are effectively the lowest in the past decade.

## Production, Supply and Demand Data Statistics:

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug 2018		Aug 2019		Aug 2020	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	12,600	12,600	13,000	13,300		12,644
Beginning Stocks	9,225	9,225	9,314	9,314		15,314
Production	25,800	25,800	29,500	29,300		28,500
Imports	1,800	1,800	2,000	2,200		1,000
MY U.S. Imports	-	-	-	-		-
Total Supply	36,825	36,825	40,814	40,814		44,814
Exports	3,511	3,511	3,300	3,000		3,500
Use	24,000	24,000	22,000	22,500		23,000
Loss	-	-	-	-		-
Total Dom. Cons.	24,000	24,000	22,000	22,500		23,000
Ending Stocks	9,314	9,314	15,514	15,314		18,314
Total Distribution	36,825	36,825	40,814	40,814		44,814
Stock to Use (b)	34%	34%	61%	60%		69%
Yield (c)	446	446	494	480		491
Figures in Thousand 480-lb Bales, Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares						

## Area and Production

Post estimates India's cotton production will decline by nearly two percent to 28.5 million 480-lb. bales (36.5 million 170-kilogram bales/ 6.26 MMT) in marketing year (MY) 2020/21, due to lower harvested area at 12.64 million hectares. Assuming a normal monsoon, the nationwide yield estimates for MY 2020/21 is 491 kilograms per hectare. This is a two percent increase over the MY 2019/20 estimated yield of 480 kilograms per hectare, and two percent lower than the three-year moving average of 500 kilograms per hectare. Seed cotton prices continue to fall, and are now 16 percent lower than the same period last year (refer table 1), providing little incentive for farmers to increase cotton acreage.

While the harvest of winter wheat (*Rabi crop*) has been delayed by 10-15 days due to untimely rains, the sowing of cotton will be underway once harvesting operations are complete. Trade sources indicate that close to 70 percent of harvesting is complete and should conclude by end of April. Government of India advisories to farmers in the Northern states of Punjab, Haryana, and Rajasthan encourage farmers to begin field preparation for sowing cotton as it is the ideal sowing time (April/May). The area under cotton is expected to increase as the lack of available migrant labor for planting paddy is expected to prompt farmers to consider planting cotton instead, which is less labor intensive. In addition, assured government procurement will likely prompt farmers to consider cotton as a 'standby' crop, even though seed cotton prices are 20 percent below the minimum support price. According to state department of agriculture recommendations, cotton sowing should ideally commence by April 15 and be completed no later than May

15, as the early sown crops exhibit fewer pest and disease incidence. As paddy planting cannot happen before June 15 due to state government orders, cotton sowing may get extended.

Post does not expect cotton sowing operations to be disrupted due to COVID-19. On April 15, 2020, the Ministry of Home Affairs, Government of India issued guidelines that lockdown measures for containment of COVID-19 epidemic will continue till May 3, 2020. However, all agricultural activities will remain fully functional, including field operations, MSP procurement, manufacturing and sale of farming inputs (fertilizers, pesticides, seeds). For more details, please refer to the guidelines: [Ministry of Home Affairs, Consolidated Guidelines](#).

### **Normal Monsoon Forecast should support cotton yields**

On April 15, 2020, the Indian Meteorological Department (IMD) forecasted a normal Southwest Monsoon for 2020 suggesting that June to September rainfall should match the Long Period Average (LPA).. Southwest monsoon seasonal (June to September) rainfall over the entire country is expected to be normal (96-104 percent). The LPA of the season's rainfall over the country as a whole for the period 1961-2010 is 88 cm. The forecast suggests a maximum probability (41 percent) for normal rainfall during the upcoming season that is expected to result in well-distributed rainfall across the country. For more details refer [GAIN IN2020-0019](#).

### **Consumption**

Post estimates MY 2020/21 cotton consumption at 23 million 480-lb. bales (29.45 million 170-kilogram bales/5 MMT). Post estimates mill consumption in MY 2020/21 to be two percent higher than last year. The marginal increase is expected as textile industry operations restart and begin the process of recovery after the impact of the lockdown in MY 2019/20.

The mill operations were almost at a complete halt across the country for most of April due to the extended lockdown enforced by the Government of India. There was limited activity in the last week of April as mills that had received orders for manufacturing personal protective equipment (PPE) kits, masks and bodysuits were operational (between 20-30 percent capacity) to service to local demand. Trade sources indicate that mill consumption cumulatively between March and April was around 1.56 million 480-lb bales (2 million 170 kg bales/340,000 MT).

Trade sources indicate that there are 15-60 days worth of stocks of unsold finished goods with most mills, mostly composed by fabric and made-up units. Mills are carrying 1-3 months' worth of inventory of raw materials. Once operations resume, industry will face issues in finding buyers for yarn as the demand for it has been hit significantly,

### **Trade**

Post estimates MY 2020/21 exports at 3.5 million 480-lb bales (4.48 million 170-kilogram bales/760,000 MT). The prospects of another large crop will leave India with a massive exportable surplus with limited buyers. The immediate impact of COVID-19 has been the deferment/cancellation of existing orders. As such, Indian exporters will witness increased competition from exporters such as the United States and

Brazil, whose export orders have also been deferred/canceled and will have larger volume of unsold stocks to offload.

Provisional trade estimates published by the Ministry of Commerce indicate that exports of cotton yarn/fabrics/made-ups, handloom products are down by 32.16 percent (by value) in March 2020 as compared to the same period last year. Similarly, readymade garments of all textiles are down by 34.91 percent. The impact of COVID-19 outbreak led to lockdowns in both exporter and importer countries leading to delays and cancellations of orders. For more details please refer [Quick Estimates for Selected Major Commodities for March 2020](#)

Post estimates MY 2020/21 imports to decline by 55 percent to 1 million 480-lb bales (1.28 million 170-kilogram bales/218,000 MT). Imports may decline further as a weakening rupee coupled with lower demand will limit cotton imports to only high/premium grades, unless the retail markets in Europe and United States witness a significant recovery which is very unlikely.

## Stocks

Post estimates India MY 2020/21 carryover stocks to increase significantly to an unprecedented 15.31 million 480-lb. bales (19.60 million 170-kilogram bales/3.3 MMT),. These stock levels may evolve as Post receives updated data on trade and consumption over the season. There are a number of concerns about the financing and storage required for this kind of record inventory. It should be noted that while the Cotton Corporation of India (CCI) will carry a large percentage of these stocks as part of their price support operations, Post also includes the stock estimates held by ginneries, mills, and exporters as part of the overall carryover stock. A large volume of stocks are currently held by CCI, along with mill stocks that form the bulk of the carryover stocks.

CCI has managed to hold such large inventories in the past as well, the most recent year being Indian MY (Oct/Sep) 2014/15. On March 21, 2020, the Government of India approved the expenditure borne by CCI and Maharashtra State Co-operative Cotton Growers Marketing Federation Ltd. (MSCCGMFL) for reimbursing the losses on sale of cotton procured under MSP operations during the Indian marketing years (Oct/Sept) 2014-15 to 2018-19. MSCCGMFL acts as an agent of CCI and procures cotton from farmers in the State of Maharashtra, in addition to CCI, similar to CCI. According the press release, the approval will help price support operations of cotton which to influence cotton prices with the objective to safeguard the interests of farmers and limiting any distress sales. For more information, please refer [Ministry of Textiles Press Release 200563](#).

According to trade reports, CCI is holding around 700,000 480-lb bales from MY 2018/19. Due to the strict quality parameters set by CCI, the stocks procured were of high quality, however, the prices quoted by CCI were 15-20 percent higher than current market prices, so purchases have been very slow. Consequently, CCI has offered a discount scheme to buyers offering significant discounts for bulk purchasing up to April 30, 2020. As per the notice, the discounts can range between US\$ 66 to US\$ 80 per 480-lb. bale depending on the quantity purchased. For more details, please refer to the announcements below.

1. [Bulk Quantity Discount for Stock of Cotton Season 2018-19 \(for MSME Spinning Mills /KVIC units & Co-operative Spinning Mills\)](#)
2. [Bulk Quantity Discount for Stock of Cotton Season 2018-19 \(for Private Mills, NTC Mills, Cotton Traders & Export buyers\)](#)

### **Minimum Support Price (MSP) may increase marginally**

Due to the COVID-19 outbreak, the government may focus on higher increases in MSP for food grains and pulses, with a marginal increase in the minimum support price for cotton.

As of March 31, 2020, CCI has procured around 6.63 million 480-lb. bales (8.5 million 170 kilogram bales/1.45 MMT) under MSP Operations. In addition, MSCCGMFL has procured around 860,000 480-lb bales (1.1 million 170 kg bales/187,000 MT), and with around 700,000 480 lb. bales (900,000 170 kg bales/153,000 MT) from MY 2018/19, CCI stocks total around 8.19 million 480-lb bales (10.5 million 170 kg bales/ 1.78 MMT). Most of the procurement has been in the state of Telangana. Official sources indicate that CCI will be actively purchasing the remaining arrivals, as buying from other institutional buyers' remains slow.

### **Policy**

On March 13, the Government of India introduced the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) to enhance exports to international markets. As per the new scheme a mechanism would be created for reimbursement of taxes/ duties/ levies, at the central, state and local level, which are currently not being refunded under any other mechanism, but which are incurred in the process of manufacture and distribution of exported products. This scheme is expected to give a a boost to the domestic industry and Indian exports providing a level playing field for Indian producers in the international market so that domestic taxes/duties are included in the export price. For more details, please refer to the [Government of India Press Release 1606281](#).

**Table 1. India: State monthly wholesale prices for seed cotton in April 2020**  
(Prices in Indian Rupees per 100 kilograms)

State	Prices, April, 2020**	Prices, March, 2020	Prices, April, 2019	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	-	5,789	-	-
Gujarat	4,235	4,639	5,901	-9%	-21%
Haryana	-	5,105	6,081	-	-16%
Karnataka	3,872	4,827	5,759	-20%	-16%
Madhya Pradesh	4,633	5,104	5,814	-9%	-12%
Maharashtra	5,015	-	6,080	-	-
Odisha	5,250	-	-	-	-
Punjab	5,405	5,178	5,903	4%	-12%
Rajasthan	4,289	5,040	6,196	-15%	-19%
Tamil Nadu	4,794	4,912	5,760	-2%	-15%
Telangana	-	4,921	5,850	-	-16%
<b>Average</b>	<b>4,687</b>	<b>4,966</b>	<b>5,913</b>	<b>-6%</b>	<b>-16%</b>

\*\*Arrivals reported for the period from April 1, 2020 - April 27, 2020

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare

**Table 2. India: State Seed Cotton Arrivals in market yards in April 2020 (in metric tons)**

State	Market Arrivals April, 2020	Market Arrivals April, 2019	Change (Over Previous Year)
Andhra Pradesh	-	3,618	0%
Gujarat	1,205	44,442	-97%
Haryana	-	5,821	0%
Karnataka	7,662	13,448	-43%
Madhya Pradesh	394	15,485	-97%
Maharashtra	444	57,966	-99%
Odisha	755	-	0%
Punjab	170	6,150	-97%
Rajasthan	5,364	11,457	-53%
Tamil Nadu	45	1,819	-98%
Telangana	42	61,221	-100%
<b>Total</b>	<b>16,080</b>	<b>221,428</b>	<b>-93%</b>

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare

#### Attachments:

No Attachments.