

Voluntary Report – Voluntary - Public Distribution

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Report Name: Cotton and Products Update - December 2021

Country: India

Post: Mumbai

Report Category: Cotton and Products

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Report Highlights:

FAS Mumbai (Post) forecasts marketing year (MY) 2021/2022 cotton production at 27.7 million 480 lb. bales on an area of 12.4 million hectares. Untimely rains during the Northeast Monsoon (October-December) along with pink bollworm infestation led to lower production in North India. Post estimates consumption at 26 million 480 lb. bales driven by strong export demand for cotton yarn and textiles. However, a strong surge in domestic fiber prices is impeding mills from building higher inventories, thereby limiting export prospects.

India: Commodity, Cotton - Production, Supply and Distribution

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	-	-	-	-	-	-
Area Harvested (1000 HA) (a)	13,400	13,400	13,000	13,000	12,400	12,400
Beginning Stocks 1000 480 lb. Bales	8,604	8,604	16,184	16,484	13,439	14,039
Production 1000 480 lb. Bales	28,500	28,800	27,600	27,900	28,000	27,700
Imports 1000 480 lb. Bales	2,280	2,280	844	844	1,000	1,000
MY Imports from U.S. 1000 480 lb. Bales	-	-	-	-	-	-
Total Supply 1000 480 lb. Bales	39,384	39,684	44,628	45,228	42,439	42,739
Exports 1000 480 lb. Bales	3,200	3,200	6,189	6,189	5,800	5,900
Use 1000 480 lb. Bales	20,000	20,000	25,000	25,000	25,800	26,000
Loss 1000 480 lb. Bales	-	-	-	-	-	-
Total Dom. Cons. 1000 480 lb. Bales	20,000	20,000	25,000	25,000	25,800	26,000
Ending Stocks 1000 480 lb. Bales	16,184	16,484	13,439	14,039	10,839	10,839
Total Distribution 1000 480 lb. Bales	39,384	39,684	44,628	45,228	42,439	42,739
Stock to Use % (PERCENT) (b)	70	71	43	45	34	34
Yield (KG/HA) (c)	463	468	462	467	492	486

Figures in Thousand 480-lb bales, except where indicated: (a) thousand hectares, (b) percent, (c) kilograms/hectares

Area and Production

FAS Mumbai (Post) forecasts marketing year (MY) 2021/2022 cotton production at 27.7 million 480 lb. bales on an area of 12.4 million hectares. Post's estimate is 300,000 480 lb. bales lower than the official USDA estimate. Post estimates lower yields in Punjab and Haryana due to pink bollworm infestation (PBW) and untimely rains which has impacted the quality of the crop. Trade sources indicate that the grade is lower, and the color has deteriorated. Production is lower as farmers had to uproot the infested plants much earlier so additional pickings did not occur due to poor crop quality. The picking of the crop had concluded by end of the November with farmers planting *rabi crop* from December onwards. Trade sources indicate that crop quality is the poorest in Haryana as mills in the state are now procuring cotton from the neighboring states of Punjab and Rajasthan. Post estimates an average national yield at 486 kilograms per hectare, one percent lower than the official USDA estimate. Lower crop estimates have led to a rise in Indian farmgate seed cotton prices. Currently, seed cotton prices are more than 50 percent higher than the minimum support price (MSP).

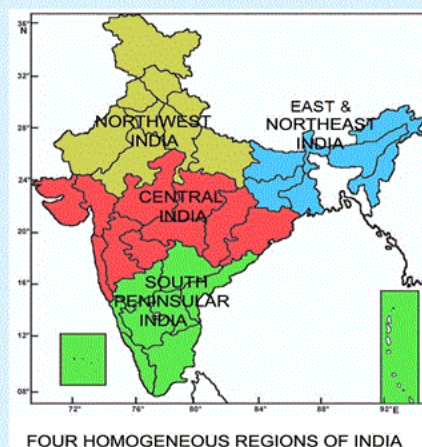
RAINFALL STATISTICS - NORTH-EAST MONSOON 2021

OCTOBER 2021			
REGION	1- Oct	TO	31-Oct
	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	100.7	76.0	32.5
NORTHWEST INDIA	67.0	23.0	191.2
EAST & NORTHEAST INDIA	148.6	129.1	15.1
CENTRAL INDIA	59.6	53.5	11.4
SOUTH PENINSULA	185.0	154.5	19.7

NOVEMBER 2021			
REGION	1- NOV	TO	30-Nov
	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	56.5	30.4	86.0
NORTHWEST INDIA	5.2	11.9	-56.1
EAST & NORTHEAST INDIA	11.4	24.6	-53.6
CENTRAL INDIA	21.9	15.8	38.7
SOUTH PENINSULA	232.7	89.2	160.8

DECEMBER 2021			
REGION	1- Dec	TO	31-Dec
	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	20.4	17.4	17.2
NORTHWEST INDIA	8.3	21.0	-60.4
EAST & NORTHEAST INDIA	25.9	13.0	99.5
CENTRAL INDIA	24.9	6.7	272.2
SOUTH PENINSULA	27.0	33.4	-19.2

CUMULATIVE SEASONAL RAINFALL			
REGION	1- Oct	TO	31-Dec
	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	177.7	123.8	44.0
NORTHWEST INDIA	80.5	55.9	44.0
EAST & NORTHEAST INDIA	186.3	166.7	12.0
CENTRAL INDIA	106.4	76.0	40.0
SOUTH PENINSULA	444.6	277.1	60.0



(Based on real time data)

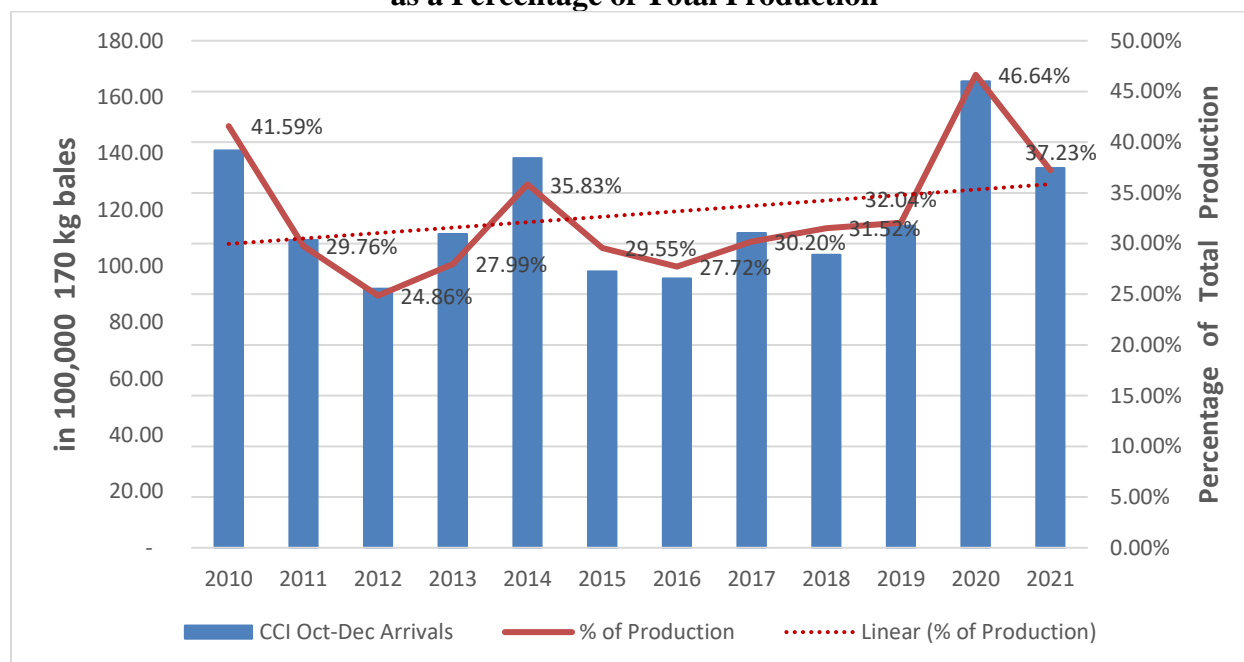
Source: Indian Meteorological Department Pune, Ministry of Earth Sciences

Slow Market Arrivals Keep Prices Firm

According to the Cotton Corporation of India (CCI), MY 2021/22 crop arrivals as of December 31 are estimated at 10.53 million 480 lb. bales (13.48 million 170-kilogram bales/2.30 MMT). Current crop arrivals represent 37 percent of the total estimated production for MY 2021/22. In MY 2020/21, arrivals during the same period (Oct-Dec) were 19 percent higher, but current arrivals remain on par with the three-year average, and three percent higher than the five-year average. Low market arrivals can be attributed to a combination of a lower crop (due to untimely rains and pink bollworm infestation) in North India, and farmers holding the harvested crop in anticipation of higher prices.

Farmers across major cotton growing states are witnessing the highest prices in the past decade. Current farmgate prices for Shankar-6 variety in Gujarat have increased by 44 percent since October 2021 (the beginning of the Indian marketing year), and by 68 percent since January 2021. Farmers have been able to realize high farmgate prices since September when the new crop arrived due to robust mill demand. Trade sources indicate that farmers expect prices will rise another 20-30 percent from current levels. As such, so the pace of arrivals is expected to remain slow as farmers continue deliver limited crop to the market. Another reason for slow market arrivals is that last year the pace of arrivals was high due to CCI actively undertaking MSP procurement in the market. Thus, farmers were able to sell bulk of the crop when mill demand was weak.

Image 1: Cotton Crop Arrivals on October-December as a Percentage of Total Production



Source: Cotton Corporation of India, FAS Post Analysis

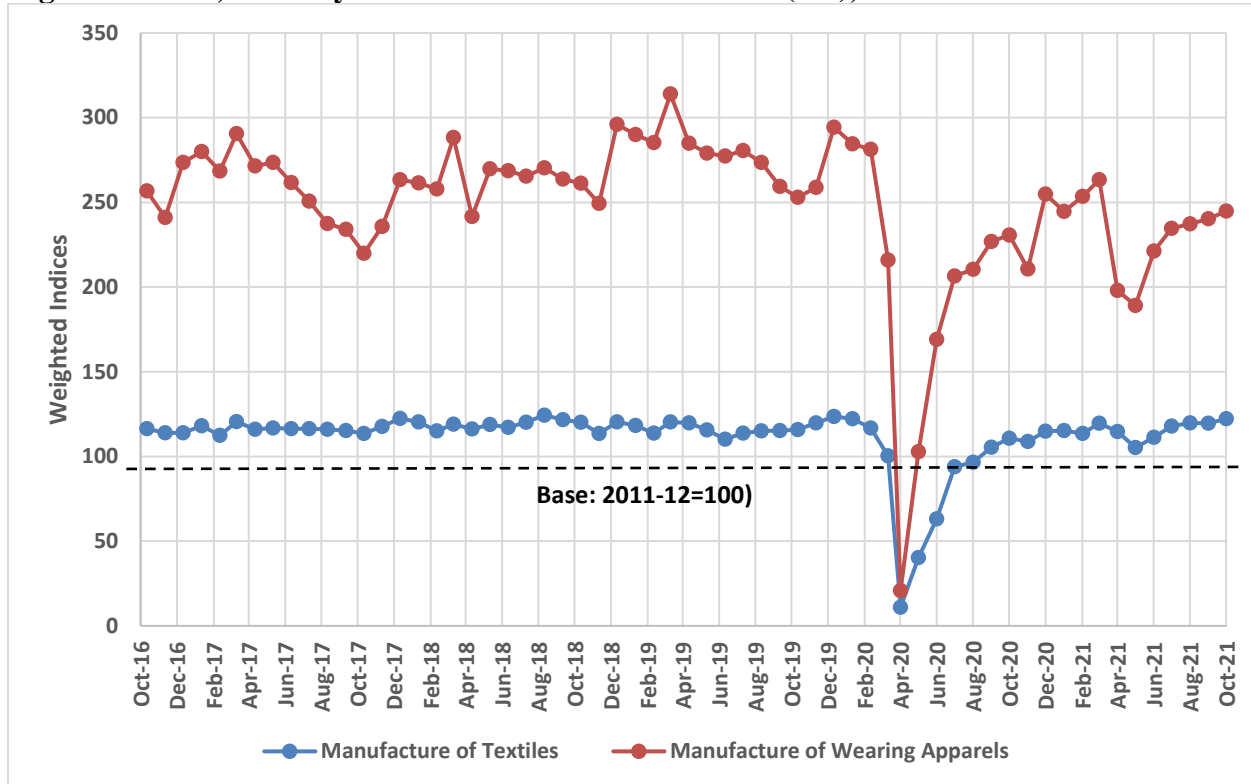
Consumption

Post forecasts MY 2021/2022 consumption at 26 million (480 lb.) bales (33.3 million 170-kilogram bales/5.7 million metric tons). Post’s mill consumption estimate is one percent higher (200,000 480 lb. bales) than the official USDA estimate as trade sources indicate that mill consumption is being supported by strong demand for home textiles and apparels from international retailers.

Indian ex-gin prices remain marginally below the Cotlook A-Index; however the gap has significantly reduced within the past month. As of December 30, the Cotlook A-Index has increased by 12 percent since October 2021, while Indian ex-gin prices rose by 23 percent during the same period. Prevailing high fiber prices and higher tariffs on imported cotton are prompting local stakeholders in the sector to ask the government for measures to support the fiber availability at reasonable prices.

In October 2021, the textile sector experienced a 10.4 percent increase in production volume as compared to the same period last year (based on the Index of Industrial Production - [Quick Estimates of IIP October 2021](#)). Similarly, apparel manufacturing witnessed a growth of 2.3 percent as compared to its output last year. Cumulatively (April 2021-October 2021), the production of textiles and apparels have both increased by 55.6 percent and 16.8 percent, respectively, as compared to same period last year. According to IIP estimates, textile manufacturing has gradually recovered since the lockdown in March 2020, but not yet reached the pre-Covid levels.

Figure 1: India, Monthly Index of Industrial Production (IIP), October 2016- October 2021



Source: Ministry of Statistics and Program Implementation, Government of India

Trade

Post forecasts MY 2021/2022 cotton exports at 5.9 million (480-lb.) bales (7.6 million 170-kilogram bales/1.3 million metric tons). Post’s estimate is almost 100,000 (480-lb) bales higher than the official USDA figure. Preliminary trade estimates published by the Ministry of Commerce indicate that the raw cotton shipments in November were rose by more than 150 percent from previous month albeit from a smaller base. Bangladesh (53 percent), Vietnam (16 percent) and Vietnam (14 percent) were the major export markets. However, MY 2021/22 cumulative exports (Aug/Nov) are 26 percent lower than last year, highlighting several logistical issues faced by exporters including high freight costs. The World Container Index (WCI) for a 40-foot container on December 23, 2021 was 119 percent higher than a year ago.

The strong demand for cotton yarn and value-based cotton textiles continues to sustain the Indian textile sector. Preliminary trade estimates published by the Ministry of Commerce indicate that cotton yarn shipments (by volume) in November were two percent higher than the previous month, and 37 percent higher on a year-over-year basis. Cumulatively, in MY 2021/22, between August and November, cotton yarn shipments were 31 percent higher than same period last year. The major exports markets for cotton yarn are Bangladesh, China, Peru, and Portugal.

According to provisional trade data published by the Ministry of Commerce, exports of cotton yarn/fabrics/made-ups and handloom products (by value) increased by 46 percent in December on a year-on-year basis, and 13 percent from previous month. Similarly, exports of readymade garments of

all textiles were 22 percent higher in December 2021 compared to the same month last year, and 36 percent higher from the previous month.

Post forecasts MY 2021/2022 imports at 1 million (480-lb.) bales (1.28 million 170-kilogram bales/218,000 MT) in line with the official USDA estimate. FAS analysis indicates that in November 2021 supplies from Australia (42 percent) and the United States (38 percent) constituted the majority of imports. Other foreign suppliers were Egypt, Cameroon, and Israel.

November imports are down by 16 percent from the previous month, but almost 61 percent higher on a year-on-year basis. August-October 2021 imports are higher by 14 percent compared to same period last year. Almost 57 percent of import shipments arrived at ports in South India, demonstrating the strong demand from mills in the region to meet their export commitments

Policy

Government Defers Tax Increase on Man-Made Fiber (MMF) Products

On December 31, 2021, the Government of India (GOI) issued a [press release](#) announcing the deferment of a tax increase on man-made fiber (MMF) products. GOI had announced a uniform increase in the goods and services tax (GST) on MMF products (yarn, fabrics, and apparel) to 12 percent in November 2021. The new rate would have been effective from January 1, 2022. At present, the tax rates on MMF, MMF yarn, and MMF fabrics are 18 percent, 12 percent, and 5 percent, respectively. While the proposed increase would have brought uniformity to the taxation of products in the textiles value chain, several stakeholders from the fabrics and apparel industry opposed the change as it would increase the financial burden on already-stressed micro- and small-scale textiles and handloom manufacturers. A group of ministers - currently reviewing the entire GST rate structure - will revisit this issue and submit its report in February 2022. For more details, please refer to the press release - <https://pib.gov.in/PressReleasePage.aspx?PRID=1786629>.

Table 1: India, State Monthly Wholesale Prices for Seed Cotton, December 2021**

State	Prices December 2021**	Prices November 2021	Prices December 2020	Change (Over Previous Month)	Change (Over Previous Year)
Gujarat	8,059	7,872	5,319	2%	52%
Haryana	8,153	-	-	-	-
Karnataka	8,829	8,887	5,370	-1%	64%
Madhya Pradesh	8,040	7,873	5,263	2%	53%
Maharashtra	8,245	8,111	5,584	2%	48%
Odisha	7,097	7,194	5,682	-1%	25%
Punjab	7,701	8,017	5,484	-4%	40%
Rajasthan	8,064	8,155	5,465	-1%	48%
Tamil Nadu	5,941	5,703	5,242	4%	13%
Telangana	7,886	7,777	5,475	1%	44%
Uttar Pradesh	6,452	6,541	-	-1%	-
AVERAGE	7,679	7,613	5,432	1%	41%

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

Note: **Prices reported for the period from December 01-30, 2021 (India rupees/100 kilograms).

Table 2: India, State Seed Cotton Arrivals in Market Yards, December 2021 (metric tons)**

State	Market Arrivals December 2021	Market Arrivals December 2020	Change (Over Previous Year)
Andhra Pradesh	10,716	11,534	-7%
Gujarat	91,598	196,040	-53%
Haryana	25,918	14,365	80%
Karnataka	22,093	28,776	-23%
Madhya Pradesh	174,513	94,975	84%
Maharashtra	112,681	218,374	-48%
Odisha	2,007	21,653	-91%
Punjab	22,196	40,937	-46%
Rajasthan	134,299	89,727	50%
Tamil Nadu	121	103	18%
Telangana	294,153	133,093	121%
Uttar Pradesh	3,392	-	-
TOTAL	893,687	849,576	5%

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

Note: ** Arrivals reported for the period from December 01-30, 2021.

Table 3a. India, Estimate of 2019/2020 Cotton Exports

	170 kg.	Metric Tons	480 lb.
August Exports 1\	78,033	13,266	60,929
September Exports 1\	74,995	12,749	58,557
October Exports 1\	115,015	19,552	89,804
November Exports 1\	342,382	58,205	267,333
December Exports 1\	604,606	102,783	472,079
January Exports 1\	946,865	160,967	739,316
February Exports 1\	566,959	96,383	442,684
March Exports 1\	361,059	61,380	281,916
April Exports 1\	33,792	5,745	26,385
May Exports 1\	158,009	26,861	123,374
June Exports 1\	381,766	64,900	298,085
July Exports 1\	436,861	74,266	341,103
TOTAL	4,100,343	697,058	3,201,563

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor, LLC

Table 3b. India, Estimate of 2020/2021 Cotton Exports

	170 kg.	Metric Tons	480 lb.
August Exports 1\	339,733	57,755	265,264
September Exports 1\	448,626	76,266	350,289
October Exports 1\	529,193	89,963	413,196
November Exports 1\	782,566	133,036	611,030
December Exports 1\	711,686	120,987	555,687
January Exports 1\	773,840	131,553	604,217
February Exports 1\	820,468	139,480	640,625
March Exports 1\	1,074,065	182,591	838,634
April Exports 1\	790,848	134,444	617,497
May Exports 1\	686,664	116,733	536,150
June Exports 1\	567,533	96,481	443,132
July Exports 1\	401,726	68,293	313,669
TOTAL	7,926,948	1,347,581	6,189,391

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor, LLC

Table 3c. India, Estimate of 2021/2022 Cotton Exports

	170 kg.	Metric Tons	480 lb.
August Exports 1\	344,927	58,638	269,321
September Exports 1\	275,838	46,893	215,376
October Exports 1\	251,628	42,777	196,472
November Exports 2\	676,471	115,000	528,191
PRELIMINARY TOTAL (AUG-NOV)	1,548,865	263,307	1,209,360

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor, LLC

2\ FAS Analysis.

Table 4a. India, Estimate of 2019/2020 Cotton Imports

	170 kg.	Metric Tons	480 lb.
August Imports 1\	974,913	165,735	761,216
September Imports 1\	543,860	92,456	424,648
October Imports 1\	360,272	61,246	281,301
November Imports 1\	222,081	37,754	173,402
December Imports 1\	124,683	21,196	97,353
January Imports 1\	99,325	16,885	77,553
February Imports 1\	96,118	16,340	75,050
March Imports 1\	112,053	19,049	87,491
April Imports 1\	86,721	14,743	67,712
May Imports 1\	114,727	19,504	89,580
June Imports 1\	107,271	18,236	83,758
July Imports 1\	77,978	13,256	60,886
TOTAL	2,920,003	496,400	2,279,949

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor, LLC

Table 4b. India, Estimate of 2020/2021 Cotton Imports

	170 kg.	Metric Tons	480 lb.
August Imports 1\	60,682	10,316	47,381
September Imports 1\	88,401	15,028	69,024
October Imports 1\	62,071	10,552	48,466
November Imports 1\	42,453	7,217	33,147
December Imports 1\	76,437	12,994	59,683
January Imports 1\	135,034	22,956	105,435
February Imports 1\	81,981	13,937	64,011
March Imports 1\	94,613	16,084	73,875
April Imports 1\	76,424	12,992	59,672
May Imports 1\	112,038	19,046	87,479
June Imports 1\	135,510	23,037	105,806
July Imports 1\	114,929	19,538	89,737
TOTAL	1,080,575	183,698	843,717

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor, LLC

Table 4c. India, Estimate of 2021/2022 Cotton Imports

	170 kg.	Metric Tons	480 lb.
August Imports 1\	78,373	13,323	61,194
September Imports 1\	92,771	15,771	72,436
October Imports 1\	81,072	13,782	63,301
November Imports 2\	68,235	11,600	53,278
PRELIMINARY TOTAL (AUG-NOV)	320,452	54,477	250,210

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor, LLC

2\ FAS Analysis.

Table 5: India, Cotton Yarn* Exports by Month (metric tons, thousands)

Month/Year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/22
August	94	117	66	79	108	67	92	116
September	98	112	77	99	98	66	93	117
October	101	106	76	98	97	78	86	117
November	125	105	103	111	95	89	87	119
December	125	115	129	116	92	91	91	
January	113	104	132	87	91	102	82	
February	119	100	103	95	100	91	82	
March	122	112	89	118	117	73	98	
April	104	105	66	106	89	18	89	
May	99	94	65	109	76	58	101	
June	103	92	78	117	58	96	119	
July	118	75	71	101	59	101	115	
TOTAL	1,321	1,237	1,055	1,236	1,080	929	1,135	

*HS code: 5204, 5205, and 5207.

Source: Directorate General of Foreign Trade, Ministry of Commerce, FAS Mumbai, Trade Data Monitor, LLC

Table 6. India's Cotton Fabric* Exports by Month (square meters, thousands)

Month/Year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/22
August	92,491	101,609	113,364	107,497	147,673	150,882	147,156	209,534
September	98,636	104,032	104,666	123,688	126,498	139,365	155,853	4,475,153
October	108,182	117,744	105,449	109,769	142,260	146,139	160,755	374,907
November	103,471	95,225	87,711	118,256	119,215	126,143	144,515	
December	105,335	121,134	112,030	132,635	132,049	142,892	163,571	
January	93,192	116,656	107,852	125,493	136,899	140,226	152,862	
February	96,586	107,487	110,875	113,399	135,495	148,992	146,373	
March	105,169	120,461	113,507	133,927	162,676	121,661	155,698	
April	87,666	109,535	94,383	114,876	126,001	21,311	174,188	
May	104,169	103,373	89,117	119,821	141,129	69,666	144,628	
June	104,505	97,043	93,410	122,381	131,541	127,850	3,286,898	
July	97,421	98,914	94,399	113,614	140,850	154,192	184,543	
TOTAL	1,196,821	1,293,214	1,226,764	1,435,355	1,642,288	1,489,320	5,017,039	

*HS code: 5208 and 5209.

Source: Directorate General of Foreign Trade, Ministry of Commerce, FAS Mumbai, Trade Data Monitor, LLC

Attachments:

No Attachments.