

Voluntary Report – Voluntary - Public Distribution

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Post: Mumbai

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Prepared By: Dhruv Sood

Approved By: Lazaro Sandoval

Report Highlights:

Post has revised its India cotton area estimate to 13.3 million hectares, making it the highest cotton area in the country's history. Indian cotton production is estimated at 29.3 million 480 lb. bales with yield estimates at 480 kilograms per hectare. Mill purchases remain strong as Indian cotton ex-gin prices remain most competitive in the global market, which also supports a higher export forecast. The Cotton Corporation of India continues to buy cotton at minimum support price levels, with current procurement reaching almost 20 percent of production.

Production, Supply and Demand Data Statistics:

Cotton	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	12,600	12,600	12,600	12,600	13,000	13,300
Beginning Stocks	7,880	7,880	9,225	9,047	9,314	9,136
Production	29,000	29,000	25,800	25,800	29,500	29,300
Imports	1,677	1,677	1,800	1,800	2,300	2,200
MY U.S. Imports	-	-	-	-	-	-
Total Supply	38,557	38,557	36,825	36,647	41,114	40,636
Exports	5,182	5,200	3,511	3,511	3,600	4,000
Use	24,150	24,310	24,000	24,000	24,500	24,600
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,150	24,310	24,000	24,000	24,500	24,600
Ending Stocks	9,225	9,047	9,314	9,136	13,014	12,036
Total Distribution	38,557	38,557	36,825	36,647	41,114	40,636
Stock to Use (b)	31	31	34	33	46	42
Yield (c)	501	501	446	446	494	480
Figures in Thousand 480-lb Bales, Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares						

Area and Production

Post estimates marketing year (MY) 2019/20 cotton production at 29.3 million 480 lb. bales (37.5 million 170-kilogram bales/6.4 MMT) with a planting area of 13.3 million hectares. Post's MY 2019/20 production estimate is 200,000 480 lb. bales lower than the official USDA estimate.

The revised cotton area is based on updated acreage data as per the second advance estimates published by the Ministry of Agriculture and Farmers Welfare (MOAFW). Revised area indicates higher planted area primarily in the southern state of Telangana. Post estimates lower cotton yields at 480 kilograms per hectare, due to the impact of pink bollworm infestations.

Second Advance Production Estimates Published

On February 19, 2020, the Ministry of Agriculture and Farmers Welfare (MOAFW), published the [second advance estimates of production](#). According to the advance estimates, cotton production for MY 2019/20 is 27.24 million 480-lb bales (34.89 million 170 kg bales/ 5.93 MMT). According to MOAFW, the cumulative rainfall in the country during the monsoon season (June to September 2019) was been 10 percent higher than the Long Period Average (LPA), and the production of most of the crops for the agricultural year 2019-20 has been estimated higher than their normal production.

However, the Cotton Advisory Board (CAB) under the Ministry of Textiles estimates India's MY 2019/20 cotton production three percent higher at 28 million 480 lb. bales (36 million 170 kg bales/ 6.12 MMT)

Cotton Arrivals Continue to Remain Strong

On February 17, 2020, the Cotton Corporation of India (CCI) reported new crop MY 2019/20 cotton arrivals at 17.5 million 480-lb. bales (22.4 million 170-kilogram bales/3.8 MMT). Cotton arrivals so far represent sixty percent of the total cotton production estimate. The pace of arrivals has remained strong since the past month and is 11 percent higher than last year.

Minimum Support Price (MSP) Procurements Continue

As of February 17, 2020, CCI and other government agencies have procured 5.7 million 480 lb. bales (7.3 million 170 kg bales/1.3 MMT) in MY 2019/20 under the minimum support price operations. CCI continues to hold almost 547,000 480-lb bales (700,000 170-kg bales/119,000 MT) of unsold stock from MY 2018/19 which combined with MY 2019/20 stocks amount to around 6.25 million 480-lb bales (8 million 170 kg bales/1.36 MMT). A large percentage of CCI procurement has been in the states of Telangana and Maharashtra. Farmers are willing to sell to CCI due to high price disparity between the MSP price and seed cotton prices (the prices quoted by CCI are much higher than market prices). However, due to CCI mandated quality norms, if delivered bales do not meet norms, farmers will either get a discounted rate or the lot will be not be accepted, leaving them to sell it well below the MSP.

Consumption

Post estimates MY 2019/20 cotton consumption at 24.6 million 480-lb. bales (31.5 million 170-kilogram bales/ 5.4 MMT), 100,000 480-lb. bales higher than the official USDA estimate. Post's estimate of 24.6 million 480 lb. bales is five percent lower than the consumption estimates of local traders and the Cotton Advisory Board (adjusted for marketing year).

Recent FAS visits to major textile mills in North and Central India indicate that mills currently are operating at some of the best margins they have seen in the last four years. As the demand for yarn has remained steady, the prices of yarn have started going up, while raw cotton prices have been moving downwards. As such, mills are relying on stable export demand (especially from China) and the sale of cotton yarn to maintain profits. Trade sources indicate that mills are covered for a minimum of two months in terms of stocks. Larger mills have covered for four months up to May, and with commercial stocks available, the situation in terms of supply till end of August seems comfortable. Mills continue to remain concerned about contamination in Indian cotton, which has not been properly addressed.

Stocks

Post estimates India MY 2019/20 cotton ending stocks at 12 million 480-lb bales (15.4 million 170 kg bales/2.6 MMT) which adjusted for Indian marketing year (Oct/Sep) would be estimated around 8 million 480-lb bales (10.2 million 170 kg bales/1.74 mmt). Official USDA estimates for 2019/20 ending stocks is higher by one million 480-lb bales at 13 million 480-lb bales. Trade continues to estimate Indian stocks much lower than the official USDA estimates.

Trade

Post estimates MY 2019/20 exports at 4 million 480-lb bales (5.1 million 170-kilogram bales/870,000 MT). 200,000 480-lb. bales higher than the official USDA estimate. Indian ex-gin prices continue to hold firm at 6-7 cents lower than Cotlook A-Index making it one of the least expensive origins in the world. Raw cotton exports in December 2019 were 33 percent lower than last year but increased significantly by 81 percent from previous month with bulk shipments to Bangladesh followed by small volumes to China, Vietnam and Indonesia. Trade sources indicate strong raw cotton exports in January and February to Bangladesh and China. Cotton yarn exports from Aug-Dec are lower by 20 percent than same time last year, but this difference was around 25 percent for shipments from Aug-Nov. Cotton yarn exports in December are higher by two percent from the previous month as demand remains stable. Similarly, the cotton fabric exports are six percent higher for Aug-Dec period, and 13 percent higher on a month-to-month comparison.

Post estimates MY 2019/20 imports at 2 million 480 lb. bales (2.6 million 170-kilogram bales / 436,000 MT), 200,000 480 lb. bales lower than USDA's official estimate. Imports of raw cotton have slowed down as expected to due to the increased domestic cotton supplies. Imports continue to be led by volume shipments from the United States and Brazil constituting almost 56 percent share of total imports in December 2019. However, there may be an increase in imports during latter half of the season, if the shipments to China continue to remain slow because of the coronavirus (COVID-19) outbreak, as per local contacts. The slowdown in Chinese demand could result in more U.S. cotton supplies being shifted towards Indian mills.

Policy

On February 1, 2020, the Union Minister for Finance & Corporate Affairs, Government of India announced the setup of a National Technical Textiles Mission with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of USD 210 million (INR 1,480 crore). The Government of India views Technical Textiles as one of the high growth potential areas where expertise needs to be developed. The National Mission on Technical Textile will help provide the requisite support to the manufacturing sector to make it more globally competitive.

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

State	Prices, February, 2020	Prices January, 2020	Prices February, 2019	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	-	5,324	-	-
Gujarat	4,972	5,114	5,265	-2.8%	-5.6%
Haryana	5,201	5,241	5,437	-0.8%	-4.3%
Karnataka	5,018	5,160	5,133	-2.8%	-2.2%
Madhya Pradesh	5,267	5,554	5,368	-5.2%	-1.9%
Maharashtra	5,204	5,254	5,118	-1.0%	1.7%
Odisha	5,375	5,316	5,289	1.1%	1.6%
Punjab	5,192	5,270	5,377	-1.5%	-3.4%
Rajasthan	5,252	5,328	5,448	-1.4%	-3.6%
Tamil Nadu	4,919	4,649	5,083	5.8%	-3.2%
Telangana	5,085	5,252	5,285	-3.2%	-3.8%
Uttar Pradesh	-	5,435	5,000	-	-
Average	5,149	5,234	5,261	-1.6%	-2.1%

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

Table 2a. India: Estimate of 2018/19 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	192,083	32,654	149,979
September Exports 1\	96,376	16,384	75,251
October Exports 1\	228,609	38,863	178,499
November Exports 1\	653,622	111,116	510,351
December Exports 1\	901,197	153,204	703,658
January Exports 1\	689,854	117,275	538,640
February Exports 1\	546,924	92,977	427,040
March Exports 1\	703,311	119,563	549,148
April Exports 1\	209,078	35,543	163,249
May Exports 1\	136,122	23,141	106,285
June Exports 1\	60,056	10,209	46,892
July Exports 1\	79,969	13,595	62,440
Total	4,497,201	764,524	3,511,432

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 2b. India: Estimate of 2019/20 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	75,378	12,814	58,855
September Exports 1\	70,696	12,018	55,200
October Exports 1\	109,627	18,637	85,597
November Exports 1\	333,931	56,768	260,735
December Exports 1\	605,902	103,003	473,091
Preliminary Total (Aug-Dec)	1,195,534	203,241	933,477

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 3a. India: Estimate of 2018/19 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	153,248	26,052	119,657
September Imports 1\	134,210	22,816	104,792
October Imports 1\	87,296	14,840	68,161
November Imports 1\	57,035	9,696	44,533
December Imports 1\	59,322	10,085	46,319
January Imports 1\	86,485	14,702	67,528
February Imports 1\	85,275	14,497	66,583
March Imports 1\	151,137	25,693	118,008
April Imports 1\	177,345	30,149	138,472
May Imports 1\	246,676	41,935	192,606
June Imports 1\	408,421	69,431	318,896
July Imports 1\	658,936	112,019	514,499
Total	2,305,387	391,916	1,800,055

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 3b. India: Estimate of 2019/20 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
Preliminary Total (Aug-Dec)	2,225,809	378,388	1,737,920

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 4: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)

Month/Year	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19	2019/20
Aug	113	94	117	66	79	108	67
Sep	108	98	112	77	99	98	66
Oct	119	101	106	76	98	97	78
Nov	106	125	105	103	111	95	89
Dec	113	125	115	129	116	92	91
Jan	131	113	104	132	87	91	
Feb	108	119	100	103	95	100	
Mar	117	122	112	89	118	117	
Apr	94	104	105	66	106	89	
May	93	99	94	65	109	76	
Jun	76	103	92	78	117	58	
Jul	87	118	75	71	101	59	
TOTAL	1,266	1,321	1,237	1,055	1,236	1,080	

*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 5: India's Cotton Fabric* Exports by Month
(Figures in thousand square meters)

Month/Year	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19	2019/20
Aug	78,908	92,491	101,473	114,071	107,497	147,673	150,762
Sep	101,017	98,636	103,974	104,661	123,688	126,498	139,246
Oct	101,327	108,182	117,801	105,404	109,769	142,260	146,135
Nov	85,897	103,471	95,082	87,723	118,256	119,215	126,143
Dec	100,335	105,335	120,598	111,927	132,635	132,049	142,427
Jan	91,169	93,192	116,656	107,512	125,493	136,899	
Feb	87,377	96,586	107,487	115,131	113,399	135,495	
Mar	98,696	105,169	120,461	112,033	133,927	162,676	
Apr	88,629	86,833	109,559	94,314	114,876	126,031	
May	81,581	103,443	103,401	89,070	119,821	141,129	
Jun	94,572	103,909	97,017	93,372	122,381	131,507	
Jul	87,284	97,115	98,890	94,360	113,614	140,700	
TOTAL	1,095,904	1,194,361	1,292,397	1,229,577	1,435,355	1,642,134	

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

Attachments:

No Attachments.