

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

Post estimates cotton production at 28.9 million 480-lb bales in marketing year (MY) 2020/21 on an area of 12.9 million hectares. While good climatic conditions accelerated the pace of planting across all major cotton growing states, the planting area estimate has been increased due to the rapid pace of planting particularly in the state of Telangana. The minimum support price was recently increased by five percent for MY 2020/21. The Cotton Corporation of India lowered the base price to encourage the offloading of large inventories procured under the minimum support price program. Exports have improved marginally, but consumption remains weak, as mills open up gradually to cater to pent up demand.

Production, Supply and Distribution 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	13,300	13,300	12,500	12,900
Beginning Stocks	9,225	9,225	9,314	9,314	19,014	16,814
Production	25,800	25,800	30,500	29,300	28,500	28,900
Imports	1,800	1,800	2,000	2,200	1,100	1,000
MY U.S. Imports	-	-	-	-	-	-
Total Supply	36,825	36,825	42,014	40,814	47,714	46,314
Exports	3,511	3,511	3,000	3,000	4,500	3,500
Use	24,000	24,000	20,000	21,000	23,000	23,000
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,000	24,000	20,000	21,000	23,000	23,000
Ending Stocks	9,314	9,314	19,014	16,814	19,814	20,214
Total Distribution	36,825	36,825	42,014	40,814	48,614	46,714
Stock to Use (b)	34%	34%	83%	70%	77%	76%
Yield (c)	446	446	499	480	496	488

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 at 28.9 million 480-lb bales (37.1 million 170-kilogram bales/ 6.29 MMT) for marketing year (MY) 2020/21, due to lower harvested area at 12.90 million hectares. Post's area estimate is 300,000 hectares higher than the official USDA estimate. According to the Ministry of Agriculture and Farmers Welfare's (MOAFW) [June 12, 2020 report](#), the overall cotton planting for *Khari* 2020 season reached 1.89 million hectares, 23 percent higher than last year, and 17 percent higher than the five-year average.

The revision in area estimate is based on the sowing progress reported in Northern Indian (See Chart 1) specifically the state of Punjab which has witnessed a more than 25 percent increase in cotton area from last year. Cotton planting has also accelerated in the state of Rajasthan, but it is not likely to surpass the record area of 760,000 hectares of last year. The state government has kept a target of 620,000 hectares. So far, the area planted has reached 580,000 hectares. In addition, there has been an increase in the planting progress of alternate crops such as bajra (millet), groundnut, guar and moong (green gram).

The states of Punjab and Haryana have issued advisories for whitefly attacks on the cotton crop. Central government agencies are also closely monitoring the path of desert locusts, a destructive pest that may impact the cotton crop during the flowering/boll development stage. According to the Ministry of Agriculture and Farmers Welfare (MOAFW), the mature female can drill holes at a depth of 8-10 cm in

moisty sandy soil, oviposit thrice at weekly interval about 1000 egg pods per square meter area. Sandy soils are found mostly in western Rajasthan, southern Haryana, south-west Punjab, and north-western parts of Gujarat in arid to semi-arid region and along the east and west coasts of India

The pace of planting in the major cotton growing state of Gujarat is 95 percent higher than last year, however, the major increase in Post's area estimates as compared to USDA official estimate is attributed to the expected increase in cotton area in the southern state of Telangana. According to state [sowing reports](#), the pace of cotton planting in the southern state of Telangana has been at a record rate as cotton area is almost 1,700 percent higher than last year as of June 17, 2020. Good climatic conditions coupled with government initiatives have led to a significant rise in cotton area from last year. Post had reported in last month's [GAIN IN2020-0049](#) report that the state government is encouraging cotton planting in areas with irrigation capacity to achieve higher yields and better quality. Farmers seem to be adhering to government incentives and guidelines as sowing is increasing at a significant pace as compared to last year.

Chart 1. India: North India* Cotton Sowing Progress as on June 11 vs Final Area



Source: Ministry of Agriculture and Farmers Welfare, Government of India

*North India includes the states of Punjab, Haryana and Rajasthan

Minimum Support Price (MSP) increased by 5 percent

On June 1, 2020, the Government of India announced the increase of the MSP for cotton (medium staple) and cotton (long staple) by INR 260 per 100 kilograms and INR 275 per 100 kilograms, respectively. The new prices are a five percent increase from the 2019 MSP prices. The increase in MSP for cotton for marketing season 2020-21 is in line with the Union Budget 2018-19 announcement of fixing the MSPs at a level at least 1.5 times of the All-India weighted average Cost of Production (CoP), aiming at a reasonably fair remuneration for the farmers. The return to farmers over their cost of production is estimated to be at least 50 percent.

For more details, please refer:

[Minimum Support Prices of Kharif Crops for Marketing Season 2020-21](#)

[Press Release - Minimum Support Prices \(MSP\) for Kharif Crops for marketing season 2020-21](#)

Arrivals and Stocks

Industry estimates that cotton arrivals have reached 27.3 million 480-lb bales (35 million 170 kg bales/5.95 MMT) as of June 24, 2020. Current market yard arrivals (See Table 3) indicate strong arrivals (179 percent higher than last year) during the first half of the month.

In an attempt to offload the large cotton inventory procured under the MSP program, CCI recently reduced the base price of auctioned cotton, along with revising the bulk discount scheme for buyers. The weak mill offtake and prospects of another large crop will likely continue to suppress market prices, and CCI may need to review and explore other alternatives to expediently dispose the inventory. The unsold stock from MY 2018/19 MSP program held by CCI, and the MSP purchases by the Maharashtra State Co-op Cotton Growers Marketing Federation or MAHACOT) combined with MY 2019/20 stocks amount to around 9.6 million 480-lb bales (12.4 million 170 kg bales/2.1 MMT).

Consumption

Post estimates MY 2020/21 cotton consumption at 23 million 480-lb bales (29.45 million 170-kilogram bales/5 MMT). This estimate is similar to the official USDA estimate. Post continues to maintain the estimate based on expected revival in mill operation capacity, despite a weak retail sector outlook, higher levels of unsold stocks, limited government support, operational issues faced by mills (limited staff and labor, increased testing and compliance costs), and lockdown measures imposed by state governments. Indian ex-gin cotton prices are almost 8-10 cents lower than Cotlook A-Index, indicating weak demand, and the large cotton stockpile that needs to be absorbed. Trade sources indicate that mills are covered for 2-3 months which may get extended until the end of September if local wholesale markets don't open, and unless mill operational capacity improve.

For the month of April 2020, the quick estimates of Index of Industrial Production (IIP) with base 2011-12, indicate that the textile manufacturing sector witnessed a 95 percent negative growth in production volume as compared to April 2019 highlighting the severe contraction due to COVID-19. Cumulatively, Indian fiscal year 2019/20 (Apr/Mar) witnessed a 2.5 percent decline as compared to 2018/19. For more details please refer to [Quick Estimates of IIP April 2020](#).

Trade

Post estimates MY 2020/21 exports to increase by 14 percent to 3.5 million 480-lb bales (4.48 million 170-kilogram bales/760,000 MT), compared to the previous year. Post's estimate is almost 1 million 480-lb bales lower than the official USDA estimate. Post anticipates an expected large crop, massive exportable surplus, and increased competition will continue to keep prices in check, however limited demand recovery globally will put severe pressure on government agencies and traders to offload the stocks. Trade sources indicate that raw cotton export shipments in May were only 5 percent lower than the previous month. Bangladesh, China, Vietnam and Turkey were the top export destinations for shipments during the month.

According to the data from Ministry of Commerce, the cotton yarn exports in MY 2019/20 between Aug 2019-Feb 2020 (Pre-COVID-19) were down 14 percent by volume as compared to same period last

year. This weak demand was further exasperated by the global pandemic. As preliminary data for March indicates, cotton yarn exports fell by 18 percent by volume as compared to previous month.

Provisional trade estimates published by the Ministry of Commerce indicate that exports of cotton yarn/fabrics/made-ups, handloom products are down by 47.47 percent (by USD value) in May 2020 as compared to the same period last year. The cumulative value of exports from April and May fell by 64.55 percent, compared to same period last year. Similarly, exports of readymade garments of all textiles are down by 66.19 percent from last year. The cumulative value of exports from April and May reduced by 78.11 percent from same period last year. The impact of COVID-19 outbreak has not spared exports of man-made yarn/fabrics/made-ups, as they are down by 58.63 percent from last year. For more details please refer [Quick Estimates for Selected Major Commodities for May 2020](#).

Post estimates MY 2020/21 imports at 1 million 480-lb bales (1.28 million 170-kilogram bales/218,000 MT). Post's estimate is 100,000 480-lb bales lower than official USDA estimate. Indian rupee depreciation has made imports very expensive, so Post expects only higher grades of cotton to be imported. Trade estimates indicate that the import of raw cotton improved marginally in May 2020 from last month as pending/delayed shipments arrive in India, United States, Egypt, Mali and Tanzania were the top suppliers during the month.

Table 1. India: Kharif 2020 Cotton Sowing Position (area in hectares)

State	2020/21 as of June 11, 2020	2019/20 as of June 11, 2019	Normal Area	Y-o-Y Change	Change from Normal
Andhra Pradesh	4,400	3,400	5,700	29%	-23%
Telangana	23,700	-	107,000	-	-78%
Gujarat	78,000	40,000	56,100	95%	39%
Haryana	713,000	672,000	607,600	6%	17%
Karnataka	57,300	42,000	89,400	36%	-36%
Madhya Pradesh	-	-	58,200	-	-
Maharashtra	-	-	57,100	-	-
Odisha	2,000	-	5,600	-	-64%
Punjab	490,000	401,000	346,200	22%	42%
Rajasthan	518,100	345,000	258,400	50%	101%
Tamil Nadu	4,800	2,200	2,900	118%	66%
Others	-	26,200	22,000	-	-
All India	1,891,300	1,531,800	1,616,200	23%	17%

Source: Ministry of Agriculture and Farmers Welfare, Government of India

**Normal Area is the five-year average during 2015 through 2019

Table 2. India: State monthly wholesale prices for seed cotton in June 2020 (Prices in Indian Rupees per 100 kilograms)

State	Prices, June, 2020**	Prices, May, 2020	Prices, June, 2019	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	-	6,047	-	-
Gujarat	4,386	4,549	5,726	-4%	-23%
Haryana	-	-	6,210	-	-
Karnataka	4,500	3,987	6,090	13%	-26%
Madhya Pradesh	4,694	4,924	5,714	-5%	-18%
Maharashtra	4,950	4,572	6,243	8%	-21%
Odisha	-	5,335	-	-100%	-
Punjab	3,872	-	4,580	-	-15%
Rajasthan	-	5,245	6,583	-	-
Tamil Nadu	4,363	3,981	5,686	10%	-23%
Telangana	-	5,342	6,038	-	-
Average	4,461	4,742	5,892	-6%	-24%

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

**Arrivals reported for the period from June 1, 2020 - June 20, 2020

**Table 3. India: State Seed Cotton Arrivals in market yards
in June 2020** (in metric tons)**

State	Market Arrivals June, 2020	Market Arrivals June, 2019	Change (Over Previous Year)
Andhra Pradesh	1,250	1,185	5%
Gujarat	31,000	3,188	873%
Haryana	-	642	-100%
Karnataka	11,927	1,696	603%
Madhya Pradesh	13,011	1,108	1075%
Maharashtra	2,447	945	159%
Odisha	1	-	-
Punjab	28	3	759%
Rajasthan	858	-	-
Tamil Nadu	5,896	730	708%
Telangana	1,359	1,034	31%
Total	50,305	18,057	179%

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

**Arrivals reported for the period from June 1, 2020 – June 20, 2020

Table 4a. 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 4b. 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
January Exports 1\	941,675	160,085	735,264
February Exports 1\	561,519	95,458	438,437
March Exports 2\	370,588	63,000	289,357
April Exports 3\	40,512	6,887	31,632
May Exports 3\	223,529	38,000	174,533
Preliminary Total (Aug-May)	3,333,358	566,671	2,602,699

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

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

3\ FAS Analysis

Table 5a. 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 5b. 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
January Imports 1\	99,325	16,885	77,553
February Imports 2\	96,118	16,340	75,050
March Imports 3\	114,706	19,500	89,563
April Imports 3\	88,235	15,000	68,894
May Imports 3\	100,000	17,000	78,080
Preliminary Total (Aug-May)	2,724,194	463,113	2,127,061

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

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

3\ FAS Analysis

**Table 6: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)**

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

Attachments:

No Attachments.