

Voluntary Report – Voluntary - Public Distribution

Date: July 24, 2024

Report Number: IN2024-0031

Report Name: Cotton and Products Update - June 2024

Country: India

Post: Mumbai

Report Category: Cotton and Products

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Report Highlights:

FAS Mumbai forecasts marketing year (MY) 2024/25 India cotton production at 25.4 million 480 lb. bales on 12 million hectares area planted, a three percent decrease in area from the previous forecast. Planting is underway and farmers have shifted cotton acreage to higher return crops such as paddy, pulses, and oilseeds. The government has announced a 7-8 percent increase in the minimum support price (MSP) on medium and long staple cotton effective October 1 onwards. Mill consumption is forecast at 25 million 480 lb. bales, two percent higher from the previous forecast, as strong yarn and textile demand improves in major international markets. Import forecast remains unchanged at 1.2 million 480 lb. bales as industry continues to appeal for duty removal on long-staple cotton.

India, Commodity, Cotton - Production, Supply and Distribution

Cotton Market Year Begins	2022/2023		2023/2024		2024/2025	
	Aug 2022		Aug 2023		Aug 2024	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	12,927	12,927	12,700	12,700	12,400	12,000
Beginning Stocks 1000 480 lb. Bales	8,396	8,396	11,324	11,324	11,474	10,944
Production 1000 480 lb. Bales	26,300	26,300	26,200	26,000	25,000	25,400
Imports 1000 480 lb. Bales	1,727	1,727	950	820	1,500	1,200
Total Supply 1000 480 lb. Bales	36,423	36,423	38,474	38,144	37,974	37,544
Exports 1000 480 lb. Bales	1,099	1,099	2,200	2,400	1,900	2,400
Domestic Use 1000 480 lb. Bales	24,000	24,000	24,800	24,800	25,200	25,000
Loss 1000 480 lb. Bales	-	-	-	-	-	-
Domestic Use and Loss 1000 480 lb. Bales	24,000	24,000	24,800	24,800	25,200	25,000
Ending Stocks 1000 480 lb. Bales	11,324	11,324	11,474	10,944	10,874	10,144
Total Distribution 1000 480 lb. Bales	36,423	36,423	38,474	38,144	37,974	37,544
Stock to Use % (PERCENT)	45	45	43	40	40	37
Yield (KG/HA)	443	443	449	446	439	461
(1000 HA), 1000 480 lb. Bales, (PERCENT), (KG/HA)						
Official data can be accessed at: PSD Online Advanced Query						

Area and Production

FAS Mumbai forecasts MY 2024/25 India cotton production at 25.4 million 480 lb. bales (32.6 million 170-kilogram bales/5.5 million metric tons), on 12 million hectares area planted. Post forecasts MY 2024/25 area to be three percent lower than the previous forecast. According to the [July 12 sowing progress report](#) published by the Ministry of Agriculture and Farmer Welfare, cotton sowing has reached 9.6 million hectares, three percent higher than this time last year and three percent higher than the five-year average. The initial pace of planting is higher as rains were timely, however the monsoon progress was slow leading to delayed sowing in north and central India so post forecasts the area planting to be lower than last year. The timely onset and forecast of above normal rains in June coupled with an [announcement](#) of a higher minimum support price were expected to support higher *kharif* 2024 cotton planting. However, the northward progress of the monsoon was slow. Conditions will be further exasperated by the revised forecast of below normal rains in June. The prolonged dry period in June impacted the proper germination at the early seedling stage prompting farmers to increase area under oilseeds and pulses due to higher price realization. Trade sources estimate cotton area could reduce between 8-10 percent which is highly unlikely. Historical data indicates that in the past ten years, only MY 2016/17 season had witnessed a double-digit area reduction of 12 percent due to major pink bollworm infestation.

North India has witnessed an almost 35 percent decline in cotton area led by significant reductions in the states of Punjab and Haryana. Low yields, frequent pest infestation along with limited minimum support price (MSP) procurement by government agencies has forced farmers to shift back to paddy

with some additional area under pulses and maize. According to the Rajasthan state [agriculture sowing report dated July 8](#), cotton area has declined by 53 percent to 475,400 hectares in 2024 as compared to 1 million hectares last year.

Central India is also facing significant area reduction driven in the state of Gujarat, India's top producer. Farmers are estimated to be holding between 15-20 percent of last year's crop and are reluctant to plant higher area under cotton. The MY 2024-25 MSP rates announced will provide an opportunity for farmers to blend old crop with the new crop and offload it in the market at MSP rates higher than current market prices. Consequently, the old crop (MY 23/24) market arrivals will likely remain slow for remainder of the season up to September. With market prices remaining flat during the last season, farmers have shifted area to groundnut (peanut) which has a lower cost of production and a shorter duration for maturity than cotton, enabling farmers to plant an alternate second crop after harvest. Maharashtra area is likely to remain the same or improve marginally. Yields in Central India are expected to be higher from last year as resurgence in rains during the first two weeks of July has provided much needed moisture to plants in seedling stage (anywhere between 0 to 50 days old).



Raw cotton arrivals in Gondal market yard

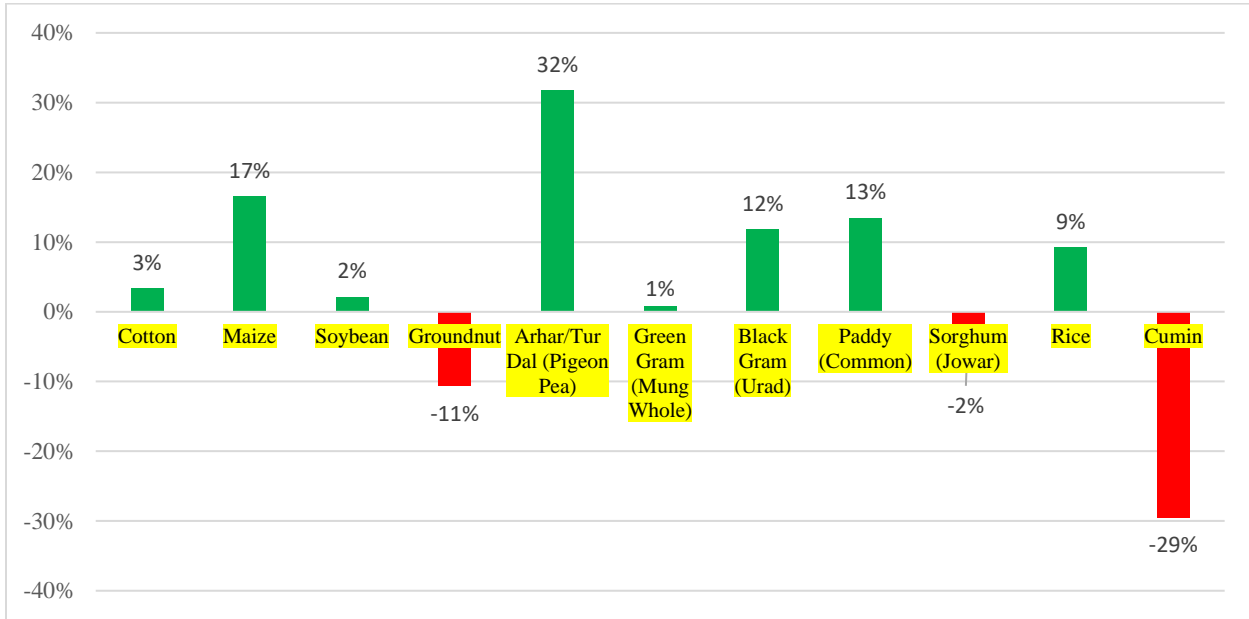


Rainfed cotton in Sardhar village, Rajkot, Gujarat

South India will offset the area reduction in north and central India with gains expected in Telangana, and Andhra Pradesh as timely rains provided adequate moisture supporting farmers planting decisions. With rising transportation costs, mills in southern India are now more dependent on imported cotton and sourcing domestic cotton regionally from neighboring southern states. The government MSP procurement program has been the most active in Telangana state for the past decade with an [average procurement rate of 45 percent](#) of the total MSP crop by the government agencies. With expectation of a resurgence in demand from south India textile mills, and a strong government MSP program, farmers

are expected to plant seven percent higher cotton area in Telangana. Karnataka cotton area is expected to remain same as last year.

Figure 1: Year-on-Year Percentage Change in Wholesale Prices in June 2024



Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare
 Note: **Price comparison June 01-30, 2024, to same period last year (India rupees/100 kg).

Government Increases MY 2023/24 Production Estimates

On June 24, the Committee on Cotton Production and Consumption (COCPC) published the revised MY 2023/24 [cotton area and production](#). The committee has increased India’s cotton production estimate by one percent to 25.4 million 480 lb. bales (32.52 million 170-kilogram bales/5.5 million metric tons) from its previous estimate published on March 14, 2024. MY 2023/24 cotton area was also increased by two percent to 12.68 million hectares, while yields were reduced by one percent to 436 kilograms per hectare.

New Technology Approvals Needed to Boost Yields

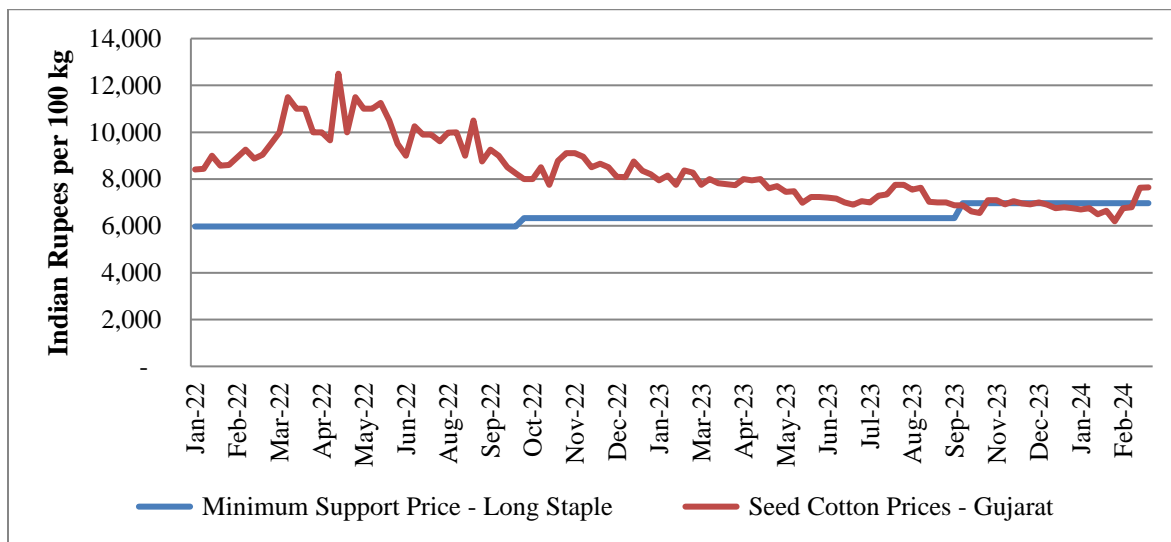
BT (*Bacillus thuringiensis*) cotton was India’s first biotech commercial crop introduced in 2002, but no new biotech seeds have been introduced since 2006 due to lack of approvals from regulatory agencies for new cotton seed technologies. Production has remained stagnant for the past decade after a doubling of production shortly after the introduction of biotech seeds (26 million 480 lb. bales in 2023 as compared to 10.6 million 480 lb. bales in 2002). Yields in India are significantly lower than world averages (446 kilograms per hectare (kg/ha) lint as compared to world average of 785 kg/ha.) While production, yields, and income went up and usage of pesticides was reduced in the short term after biotech cotton adoption, nearly all benefits have been diminished due to a nearly 20-year wait for new varieties to be approved. As farmers continue to gradually shift area away from cotton, there is an increasing supply demand gap that needs to be addressed. Indian mills are constantly facing pressure for fiber sourcing due to variable quality and are losing competitiveness to mills in neighboring countries.

Recent [media reports](#) quoted the new textile minister as saying that new biotech cotton variety approvals are expected soon which will enhance India’s cotton production but conversations with government officials do not offer a quick path to any approvals.

Minimum Support Price

On June 19, the Ministry of Agriculture and Farmers Welfare announced the [MY 2024/25 Minimum Support Price](#) that will commence from October 1. For MY 2024/25, the medium staple cotton received an increase of 7.2 percent (INR 7,121 per 100 kilograms) and long staple cotton will rise by 7.6 percent (INR 7,521 per 100 kilograms) from last year. The Cotton Corporation of India (CCI) has been appointed as the main agency to manage price support operations in the event prices of Fair Average Quality grade seed cotton (*kapas*) fall below the MSP level. These procurement operations are carried out only in Agricultural Produce Market Committee yards. CCI, in addition to buying at the MSP level and marketing cotton through an auction, is active in the market at other times as conditions dictate. During the Indian Marketing Year 2023/24 (October/September), farmgate seed cotton prices have been trading near MSP rates, as mill buying remained weak due to sluggish demand. CCI has been active in the market and procured 2.6 million 480 lb. bales (3.3 million 170-kilogram bales/558,000 MT) so far. CCI has sold 929,000 480 lb. bales (1.2 million 170-kilogram bales/202,300 MT) and [holding stock](#) of 1.6 million 480 lb. bales (2.1 million 170-kilogram bales/356,000 MT) as of July 10.

Figure 2: Seed Cotton (Kapas) Price vs Minimum Support Price



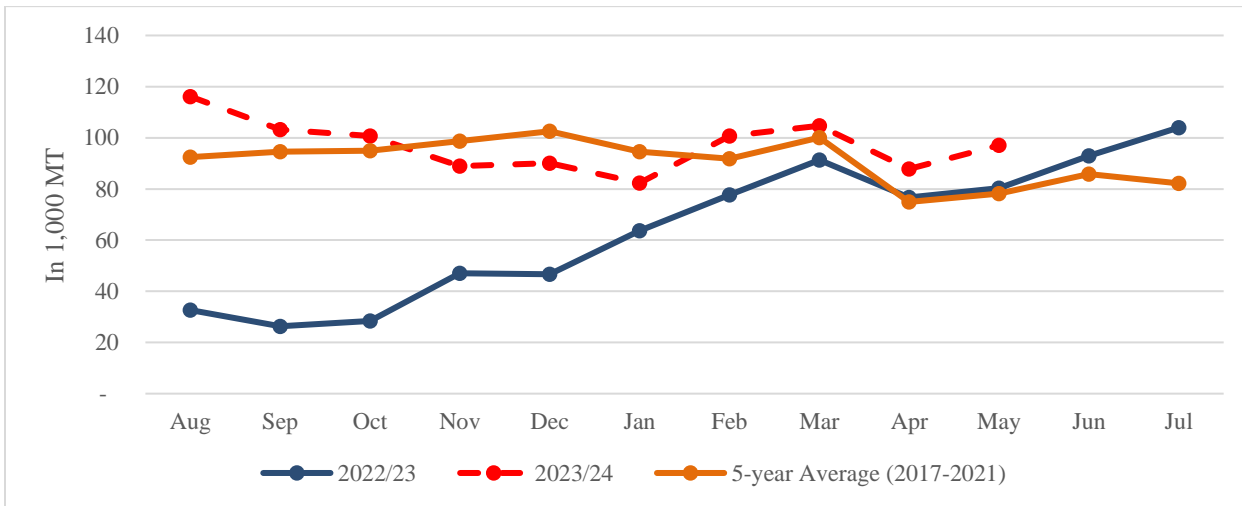
Source: Directorate of Marketing & Inspection (DMI), Ministry of Agriculture and Farmers Welfare

Consumption

Post estimates MY 2024/25 mill consumption at 25 million 480 lb. bales, 500,000 bales (two percent) higher than the previous estimate. Domestic mill demand is recovering as major export markets of Europe and United States are experiencing a revival for products. Cumulative cotton yarn export data (Aug/May) indicates a 70 percent rise (refer figure 3) in shipments by volume as compared to last year. Bangladesh remains the top export market for cotton yarn with 40 percent market share. Similarly,

cotton fabric exports (refer figure 4) witnessed a nine percent year-on-year increase (Aug/Apr) in export shipments. The production of textiles and apparels both increased by 0.3 percent and 13 percent respectively in April 2024 based on the [Index of Industrial Production - Quick Forecasts of IIP June 2024](#), as compared to same period last year. Demand resurgence has led Indian ex-gin prices to rise by two percent over the past month. Indian prices are currently higher than the Cotlook A-Index by 4-5 cents pound. Trade sources indicate that most large mills have sufficient stock inventory until the end of November, while smaller to medium sized mills are covered between 45-60 days on average. Post has also increased MY 2023/24 consumption estimate to 24.8 million 480 lb. bales, three percent higher than previous estimate due to improved mill demand.

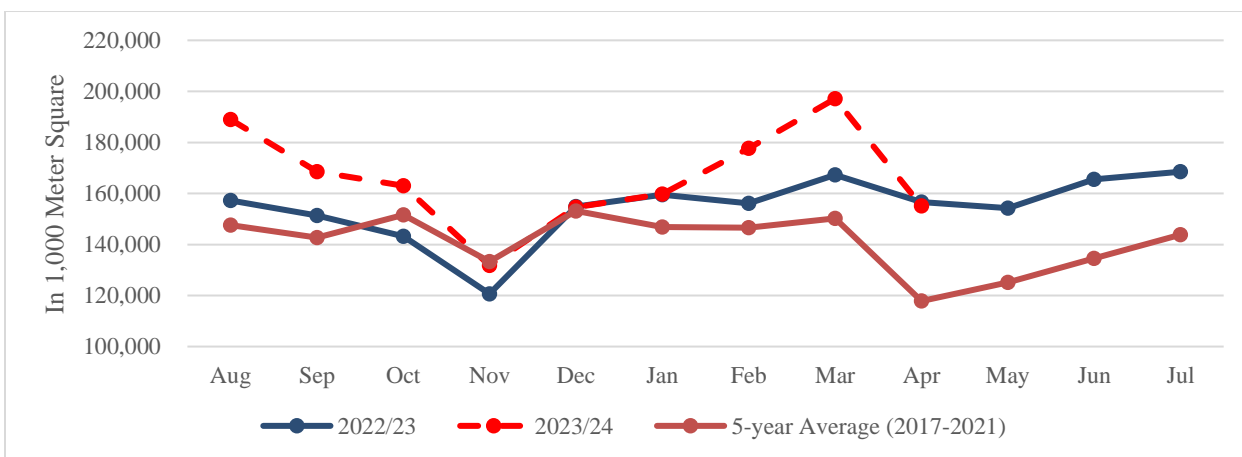
Figure 3: Cotton Yarn* Exports by Month



*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 4: Cotton Fabric* Exports by Month



*HS code: 5208 and 5209

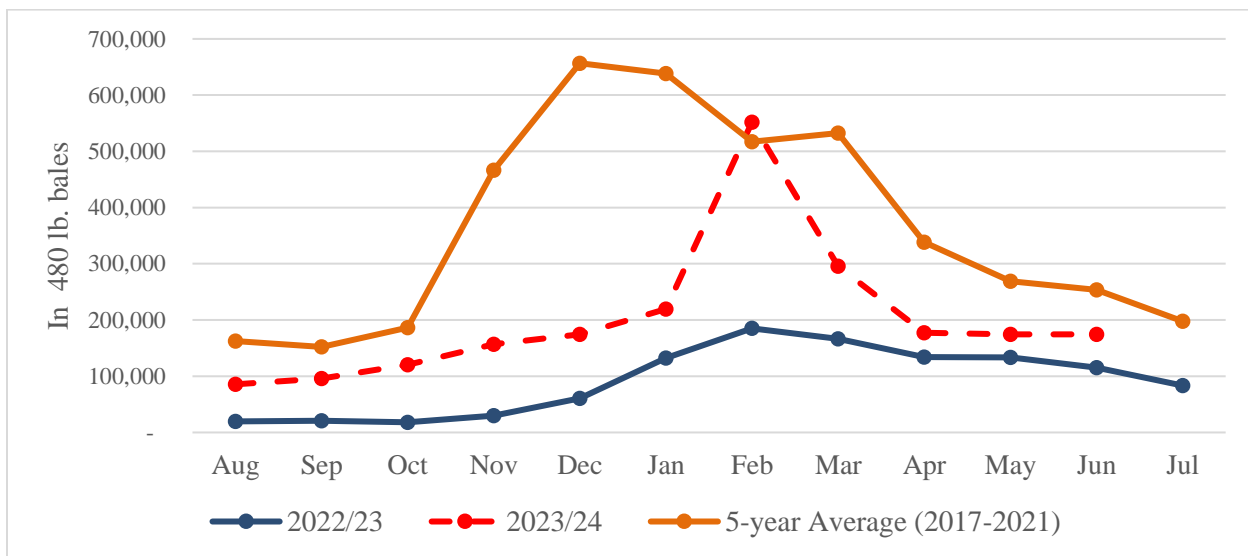
Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry

Exports

Post forecasts MY 2024/25 cotton exports at 2.4 million 480-lb. bales (3 million 170-kilogram bales/ 523,000 metric tons), unchanged from the previous forecast. Higher carryover stocks will leave India with an exportable surplus. As the new crop arrivals begin in October, prices are likely to remain suppressed providing exporters an opportunity to ship to major buyers in Bangladesh and Vietnam. Preliminary export data for June 2024 indicates that 90 percent of raw cotton shipments of medium-to-long staple cotton (25 to 32 mm length) in June were shipped to Bangladesh, followed by Vietnam and United Arab Emirates with four percent share each.

Post have revised the MY 2023/24 export estimate to 2.4 million 480-lb. bales (3 million 170-kilogram bales/ 523,000 metric tons) based on updated shipment data from the Ministry of Commerce, Government of India.

Figure 5: Cotton Exports by Month



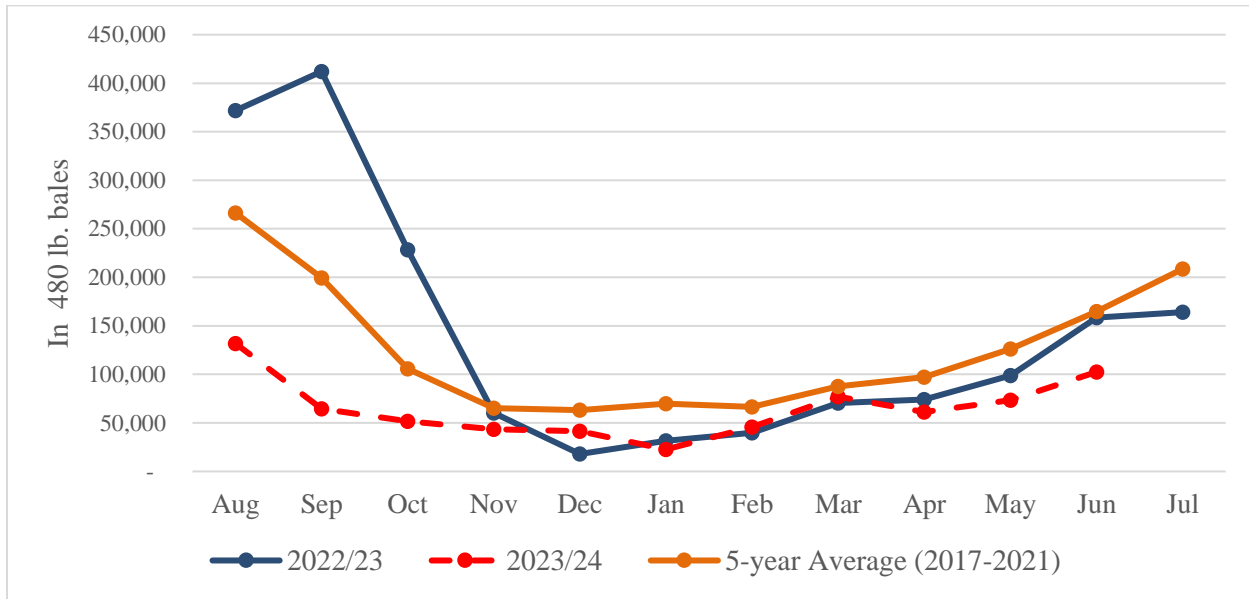
Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry

Imports

Post forecasts MY 2024/25 cotton imports at 1.2 million (480-lb.) bales (1.5 million 170-kilogram bales/ 261,000 metric tons) unchanged from the previous forecast. While the removal of duty on extra-long staple (ELS) cotton has supported Indian textile exports. Mills continue to request the government to rescind the import duty on short and long-staple cotton as well. Trade sources indicate the duty on long staple cotton is unlikely to be removed as government has already provided extension of the scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for export of apparel/garments and made-ups (fabrics, blankets, linens, curtains etc.) up to March 31, 2026. The imposition of duty continues impact the value-added sector, as apparel and textile exporters have to incur higher costs as compared to other regions putting India at a competitive disadvantage.

Post have revised the MY 2023/24 import estimate to 820,000 480-lb. bales (1 million 170-kilogram bales/ 179,000 metric tons) based on updated shipment data from the Ministry of Commerce, Government of India.

Figure 6: Cotton Imports by Month



Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry
**FAS estimate

Attachments:

No Attachments.