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Report Highlights:

Post estimates marketing year (MY) 2019/20 cotton production at 29.3 million 480 lb. bales (37.6 million 170-kilogram bales/6.3 MMT) with a planting area of 13 million hectares, the highest ever on record, surpassing 12.8 million hectares in MY 2014/15. Significant rains in the past month have led to moderate to good conditions across growing regions, likely to improve yield prospects. In an effort to reverse weakening demand in the domestic textile and export markets, the Government of India announced a series of new measures and schemes.

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	12,700	13,000
Beginning Stocks	7,880	7,880	9,225	9,037	10,025	9,937
Production	29,000	29,000	26,500	26,500	29,500	29,300
Imports	1,677	1,667	1,800	1,800	1,600	1,300
MY U.S. Imports	-	-	-	-	-	-
Total Supply	38,557	38,547	37,525	37,337	41,125	40,537
Exports	5,182	5,200	3,500	3,500	4,000	4,200
Use	24,150	24,310	24,000	23,900	24,750	24,600
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,150	24,310	24,000	23,900	24,750	24,600
Ending Stocks	9,225	9,037	10,025	9,937	12,375	11,737
Total Distribution	38,557	38,547	37,525	37,337	41,125	40,537
Stock to Use (b)	31	31	36	36	43	41
Yield (c)	501	501	458	458	506	491
Figures in Thousand 480-lb Bales, Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares						

Record high acreage of 13 million hectares expected

Post estimates India's marketing year (MY) 2019/20 cotton planted area at 13 million hectares, 300,000 hectares higher than the official USDA estimate. According to the [weekly planting progress report](#) published by the Ministry of Agriculture and Farmers Welfare (MOAFW), cotton planted area across the country has reached 12.7 million hectares, five percent higher than same period last year, and nine percent higher than the five-year average. Planting in Central India (Gujarat, Maharashtra and Madhya Pradesh) is two percent higher than last year. Post's area estimate of 13 million hectares represents a new record and surpasses the previous record of 12.8 million hectares in MY 2014/15.

Recent Post travel to Gujarat revealed that crop conditions in that state were good to excellent, with no major pest and disease incidence, which should lead to higher yields than last year. The standing crop is in flowering/boll formation stage and has above average topsoil moisture. For the most part, farmers are ensuring adequate drainage in case of excess rains. Post also noticed that a significant amount of cotton areas is intercropped with mostly corn fodder and pulses. Cotton area in Gujarat has fallen by two percent from last year as farmers have preferred to plant more area under corn, pulses (tur), and in certain districts peanuts and sesamum.



Planting is underway in Southern India (Andhra Pradesh, Telangana, Karnataka and Tamil Nadu) where sowing progress is five percent higher than last year and is expected to increase further due to high cotton prices. According to sowing progress reports from various state agriculture departments, the cotton area is already greater from last year in all four southern states.

Production

Post estimates marketing year (MY) 2019/20 cotton production at 29.3 million 480 lb. bales (37.6 million 170-kilogram bales/6.4 MMT). Post's MY 2019/20 production estimate is 200,000 480 lb. bales lower than the official USDA estimate. Significant rains in the past month has led to moderate to good crop condition in growing regions, likely to improve yield prospects mostly in Southern States. However, the Indian Meteorological Department (IMD) [forecasts](#) heavy rains in Central India mostly in the states of Gujarat and Maharashtra in the next two weeks (September 20 to October 3) which will likely result in yield (boll shedding and wilting due to waterlogging) and quality loss. Southwest monsoon rains in Central India (Gujarat, Madhya Pradesh and Maharashtra) from September 1-19, 2019 have been 92 percent above normal rainfall activity.

Consumption

Post estimates MY 2019/20 cotton consumption at 24.6 million 480-lb. bales (31.5 million 170-kilogram bales/ 5.4 MMT), 150,000 480-lb. bales lower than official USDA estimate. According to the [production estimates](#) published by the Textile Commissioners Office (TCO), cotton yarn production has increased by four percent between April – July 2019 as compared to the same period last year. At the same time, blended and 100 percent non-cotton yarn production has increased by 11 percent, while cloth production by the mill sector has fallen by nine percent.

Mill consumption remains muted like last month where the fall in yarn prices due to weak domestic demand, lackluster export market coupled with high alternative fiber prices is negatively affecting the profitability of

many small to medium-sized mills. Mills continue to stock limited cotton and maintain lean inventories. The trend is expected to continue for the new season due to price uncertainty. Average domestic wholesale seed cotton prices have fallen by four percent from last month and are marginally lower than last year. But Indian ex-gin (lint) cotton prices are almost 2-3 cents higher than Cotlook A-Index, prompting mills to augment their requirements with imports.

Trade

Post estimates MY 2019/20 exports at 4.2 million 480-lb bales (5.4 million 170-kilogram bales/914,000 MT) 200,000 480 lb. bales higher than the official USDA estimate. The differential between domestic and international prices has narrowed further in September due to slowdown in demand in global markets, but as the availability of supplies increases with new arrivals, domestic prices are expected to fall further and may also go below the minimum support price (MSP). The new MSP prices will be effective from October 1, 2019. According to the trade data published by the Ministry of Commerce, bulk exports in July were limited to Bangladesh, Vietnam, Iran and Taiwan.

Preliminary trade data published by the Ministry of Commerce for July exports (refer table 5) indicate that cotton yarn shipments remain at historic lows with China and Bangladesh while Egypt and Peru remain the top markets. Trade sources indicate that shipments in August are also very slow. Exports of cotton yarn in MY 2018/19 (Aug/July) have fallen by 13 percent as compared to MY 2017/18.

Post estimates MY 2019/20 imports at 1.3 million 480 lb. bales (1.7 million 170-kilogram bales / 283,000 MT), 300,000 480 lb. bales lower than USDA's official estimate. Shipments from the United States continue to drive up bulk import volumes followed by small quantities of West African cotton. Mills are increasingly importing lower grades of U.S. upland cotton for blends.

Arrivals

On August 28, the Cotton Corporation of India (CCI) estimated MY 2018/19 cotton arrivals at 25.3 million 480-lb. bales (32.4 million 170-kilogram bales/5.5 MMT). CCI reports that arrivals represent 96 percent of the total production estimate of the Cotton Advisory Board (CAB). Small quantities of the new cotton 2019/20 crop have begun arriving in Northern India; however, new crop rates have remained high above the minimum support price (MSP). However, once the pace of arrivals picks up in the coming months, CCI may be involved in MSP procurement. CCI will be the central nodal agency for undertaking price support operations for cotton.

Trade sources indicate that farmers would prefer to sell the crop directly to private commission agents at a lower price than MSP due to immediate release of cash payments against bank transfers by government agencies which can be delayed. CCI is currently holding around 900,000 170 kg bales in stocks. The higher MSP remains a serious concern for the textile and mill sector due to the higher cost that it represents.

Policy

In August 2019, the Union Minister of Finance and Corporate Affairs announced various measures to boost economic growth in various sectors. Those announcements have been followed up by additional measures announced in September 2019. The measures targeting the textile sector include a Scheme for Remission of Duties or Taxes on Export Product (RoDTEP) which replaces the Merchandise Export Incentive Scheme (MEIS). The existing scheme will continue till December 31, 2019 and subsequently be replaced by RoDTEP from January 1, 2020 onwards. Both MEIS and RoDTEP are schemes designed to incentivize exports to India by reducing duties paid on exports. Exporters in India avail between two percent and seven percent of the free-on-board (FOB) value and the minister has informed that the rewards will be better than the existing MEIS scheme and the percentages.

The Government of India is focused on boosting economic growth driven by exports. There are number of other issues faced by exporters especially related to the goods and services tax (GST). Issues related to GST refunds, declining export credit, collateral requirements and inverted duty structure (higher duty on input(s) and lower duty on output) are expected to be addressed by the government in the next few months to spur greater sectorial growth.

For more details, please refer to the Ministry of Finance Presentations below -

1. [Presentation by Union Finance & Corporate Affairs Minister on measures to boost Indian Economy - Aug 23](#)
2. [Presentation by Union Finance & Corporate Affairs Minister on measures to boost Indian Economy - Sep 14](#)

Table 1: India's Kharif 2019 Cotton Sowing Position (area in hectares)

State	2019/20 as of September 12, 2019	2018/19 as of September 12, 2018	Normal Area**	Y-o-Y Change	Change from Normal
Andhra Pradesh	611,000	551,000	536,000	11%	14%
Telangana	1,832,200	1,794,300	1,640,500	2%	12%
Gujarat	2,665,700	2,708,600	2,693,600	-2%	-1%
Haryana	701,000	665,000	607,800	5%	15%
Karnataka	574,700	548,000	542,800	5%	6%
Madhya Pradesh	609,100	697,000	603,000	-13%	1%
Maharashtra	4,381,900	4,118,700	4,012,700	6%	9%
Odisha	169,600	157,800	137,600	7%	23%
Punjab	402,000	284,000	365,000	42%	10%
Rajasthan	644,500	496,100	441,200	30%	46%
Tamil Nadu	42,100	18,400	19,700	129%	114%
Others	27,100	17,200	23,000	58%	18%
All India	12,660,900	12,056,100	11,622,900	5%	9%

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

** Normal Area is the five-year average during 2014 through 2018

**Table 2. India: State monthly wholesale prices for seed cotton in September 2019
(Prices in Indian Rupees per 100 kilograms)**

State	Prices September, 2019	Prices August, 2019	Prices September, 2018	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	6,098	6,012	5,703	1.43%	6.94%
Gujarat	5,949	5,876	5,481	1.25%	8.55%
Haryana	5,387	5,780	5,286	-6.79%	1.92%
Karnataka	5,390	5,457	5,682	-1.23%	-5.15%
Madhya Pradesh	3,914	4,631	4,630	-15.48%	-15.46%
Maharashtra	-	5,850	-	-	-
Odisha	5,292	5,590	5,351	-5.33%	-1.10%
Punjab	5,464	6,243	5,400	-12.48%	1.17%
Rajasthan	5,708	5,612	5,325	1.70%	7.18%
Tamil Nadu	6,074	5,865	5,588	3.55%	8.69%
Telangana	5,291	5,300	5,260	-0.17%	0.59%
Average	5,335	5,551	5,371	-3.90%	-0.66%

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

Table 3a. India: Estimate of 2017/18 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,481	13,342	61,279
October Exports 1\	70,773	12,031	55,260
November Exports 1\	564,847	96,024	441,035
December Exports 1\	1,032,618	175,545	806,272
January Exports 1\	934,086	158,795	729,338
February Exports 1\	830,966	141,264	648,821
March Exports 1\	887,481	150,872	692,948
April Exports 1\	823,273	139,956	642,815
May Exports 1\	569,878	96,879	444,963
June Exports 1\	499,588	84,930	390,080
July Exports 1\	280,885	47,750	219,316
Total	6,659,538	1,132,121	5,199,793

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 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\	208,549	35,453	162,836
May Exports 2\	136,122	23,141	106,285
June Exports 2\	60,056	10,209	46,892
July Exports	79,969	13,595	62,440
Preliminary Total (Aug-Jul)	4,496,672	764,434	3,511,019

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

2\ FAS Analysis

Table 4a. India: Estimate of 2017/18 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,605	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,805	10,167	46,696
January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 1\	212,332	36,096	165,789
May Imports 1\	198,388	33,726	154,902
June Imports 1\	217,114	36,909	169,524
July Imports 1\	182,849	31,084	142,770
Total	2,147,329	365,046	1,676,643

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 2018/19 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	153,248	26,052	119,656
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 2\	246,676	41,935	192,606
June Imports 2\	408,421	69,431	318,896
July Imports	658,936	112,019	514,499
Preliminary Total (Aug-Jul)	2,305,386	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.

2\ FAS Analysis

Table 5: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	93	113	94	117	66	79	108
Sep	65	108	98	112	77	99	98
Oct	76	119	101	106	76	98	97
Nov	87	106	125	105	103	111	95
Dec	108	113	125	115	173	116	92
Jan	99	131	113	104	132	87	91
Feb	102	108	119	100	107	95	100
Mar	107	117	122	112	89	118	117
Apr	80	94	104	105	66	106	89
May	95	93	99	94	65	109	76
Jun	103	76	103	92	78	117	58
Jul	111	87	118	75	71	101	60**
TOTAL	1,126	1,266	1,321	1,237	1,102	1,236	1,081

*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

** Provisional estimate

Table 6: India's Cotton Fabric* Exports by Month
(Figures in thousand square meters)

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	77,093	78,908	92,491	101,473	114,071	107,441	147,647
Sep	72,827	101,017	98,636	103,974	104,661	123,603	126,499
Oct	70,553	101,327	108,182	117,801	105,404	109,572	142,259
Nov	66,084	85,897	103,471	95,082	87,723	118,218	119,215
Dec	75,412	100,335	105,335	120,598	111,927	132,634	132,049
Jan	74,008	91,169	93,192	116,656	107,512	125,357	136,898
Feb	65,141	87,377	96,586	107,487	115,131	113,085	135,493
Mar	75,329	98,696	105,169	120,461	112,033	133,115	162,702
Apr	65,683	88,629	86,833	109,559	94,314	114,876	126,012
May	65,469	81,581	103,443	103,401	89,070	119,820	141,107
Jun	67,760	94,572	103,909	97,017	93,372	122,381	131,548
Jul	78,547	87,284	97,115	98,890	94,360	113,614	139,866
TOTAL	853,906	1,095,904	1,194,361	1,292,397	1,229,577	1,433,717	1,641,296

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

Attachments:

No Attachments.