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Report Name: Cotton and Products Update

Country: India

Post: New Delhi

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Report Highlights:

Post estimates marketing year (MY) 2019/20 cotton production at 29.7 million 480 lb. bales (38 million 170-kilogram bales/6.4 MMT) with a planting area of 13 million hectares. The pace of new crop arrivals has picked up, but government procurement remains subdued. Raw cotton exports remain low, supported by exports of cotton yarn and fabric.

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	13,000
Beginning Stocks	7,880	7,880	9,225	9,047	10,014	9,936
Production	29,000	29,000	26,500	26,500	30,000	29,700
Imports	1,677	1,677	1,800	1,800	1,800	2,000
MY U.S. Imports	-	-	-	-	-	-
Total Supply	38,557	38,557	37,525	37,347	41,814	41,636
Exports	5,182	5,200	3,511	3,511	4,100	4,000
Use	24,150	24,310	24,000	23,900	24,500	24,600
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,150	24,310	24,000	23,900	24,500	24,600
Ending Stocks	9,225	9,047	10,014	9,936	13,214	13,036
Total Distribution	38,557	38,557	37,525	37,347	41,814	41,636
Stock to Use (b)	31	31	36	36	46	46
Yield (c)	501	501	458	458	502	497
Figures in Thousand 480-lb Bales, Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares						

Area and Production

Post estimates India's marketing year (MY) 2019/20 cotton planted area at 13 million hectares, same as official USDA estimate. However, the final planting data for *Kharif 2019* season has not been finalized yet. Post estimates marketing year (MY) 2019/20 cotton production at 29.7 million 480 lb. bales (38 million 170- kilogram bales/6.4 MMT). Post's MY 2019/20 production estimate is 300,000 480 lb. bales lower than the official USDA estimate. Post production estimate is lower due to the late southwest monsoon rains that impacted the standing crop in the state of Madhya Pradesh which was affected by floods. The impact of rains in late September/early October on the standing crop in cotton growing districts in Central and Southern India will likely impact the overall yields. There are currently no official government estimates on overall cotton crop damage. Trade sources indicate that first picking is still in progress in the states of Gujarat and Maharashtra which should conclude in another two weeks. Currently only twenty percent of the crop has been harvested so far in both states.

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 official USDA estimate. Mills continue to maintain lean cotton inventories. Current ex-gin prices in India are at their lowest in the last two years indicating an overall slowdown in textile demand.

However, cotton yarn prices remain firm because of sustained domestic demand. The wholesale seed cotton market prices continue to show a declining trend in major cotton growing states as there is expectation of a much higher supply of lower grades of cotton during the season. Late rains have impacted the standing crop leading to harvest delays and elevated crop moisture levels not acceptable to the Cotton Corporation of India

(CCI) for procurement. Trade sources indicate arrivals of seed cotton with high moisture levels leading to discounting of cotton, and limited interest from traders as well as government procurement agencies. CCI has purchased around 234,000 480-lb. bales this year so far mostly from the state of Telangana. However, their regional offices are following strict guidelines in terms of procurement of bales from farmers. Cotton bales that are not meeting their fair average quality (FAQ) standards are discounted or outright rejected. In case of rejection, farmers have no other avenue than to sell to the private trade at much lower prices than the minimum support price (MSP).

Trade

Post estimates MY 2019/20 exports at 4 million 480-lb bales (5.1 million 170-kilogram bales/870,000 MT) same as the official USDA estimate. As prospects for global supplies outweigh the global demand, Indian cotton ex-gin prices are marginally higher than the Cotlook A-Index making it less competitive in the international markets. However, the demand in international markets remains weak and Bangladesh remains the major export market for Indian cotton. According to the Ministry of Commerce data, cotton exports in September 2019 were down 26 percent as compared to same time last year.

Cotton yarn exports in September fell marginally by 1 percent from August but were 32 percent lower than same time last year. Similarly cotton fabric exports fell by eight percent from August, but almost eight percent from September last year. China, Bangladesh, Portugal and Peru were the major export markets for cotton yarn exports.

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 higher than USDA's official estimate. Imports in the first two months of MY 2019/20 reached 1.2 million 480-lb bales (refer table 3b). Shipments from the United States continue to drive up bulk import volumes followed by small quantities of West African and Brazilian cotton. The crop damage due to late rains will likely impact the quality, which will drive up the domestic prices of higher grades likely leading to imports. However, the share of imports is only 5-7 percent of the total cotton supply in the market.

Arrivals

On November 11, 2019, the Cotton Corporation of India (CCI) reported new crop MY 2019/20 cotton arrivals at 2.89 million 480-lb. bales (2.26 million 170-kilogram bales/4910,000 MT). While the pace of arrivals has picked up in the last few weeks, it is one percent slower than last year. The late rains have impacted the harvesting process which will likely delay the arrivals in the market by a few weeks. The higher volumes of new crop arrivals have begun in the northern and Central parts of India.

Table 1. India: State monthly wholesale prices for seed cotton in November 2019
(Prices in Indian Rupees per 100 kilograms)

State	Prices November, 2019	Prices October, 2019	Prices November, 2018	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	5,060	5,257	5,712	-3.8%	-11.4%
Gujarat	4,686	4,749	5,448	-1.3%	-14.0%
Haryana	5,347	5,258	5,520	1.7%	-3.1%
Karnataka	5,018	5,440	5,802	-7.8%	-13.5%
Madhya Pradesh	4,923	4,629	5,489	6.4%	-10.3%
Maharashtra	4,580	4,629	5,697	-1.1%	-19.6%
Odisha	5,550	-	5,230	-	6.1%
Punjab	5,084	5,014	5,497	1.4%	-7.5%
Rajasthan	5,282	5,285	5,536	-0.1%	-4.6%
Tamil Nadu	4,861	5,124	4,544	-5.1%	7.0%
Telangana	4,647	5,229	-	-11.1%	-
Uttar Pradesh	4,788	5,155	5,259	-7.1%	-9.0%
Average	4,986	5,070	5,430	-1.7%	-8.2%

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\	208,549	35,453	162,836
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	4,496,672	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.

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

	170 kg	Metric Tons	480 lb.
August Exports 1\	75,381	12,815	58,858
September Exports 1\	70,695	12,018	55,199
Preliminary Total	146,075	24,833	114,056

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	119,656
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 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	2,305,386	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.

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
Preliminary Total	1,518,774	258,192	1,185,864

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	
Nov	106	125	105	103	111	95	
Dec	113	125	115	173	116	92	
Jan	131	113	104	132	87	91	
Feb	108	119	100	107	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	1,102	1,236	1,081	

*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	138,120
Oct	101,327	108,182	117,801	105,404	109,769	142,260	
Nov	85,897	103,471	95,082	87,723	118,256	119,215	
Dec	100,335	105,335	120,598	111,927	132,635	132,049	
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	141,127	
Jun	94,572	103,909	97,017	93,372	122,381	131,504	
Jul	87,284	97,115	98,890	94,360	113,614	140,697	
TOTAL	1,095,904	1,194,361	1,292,397	1,229,577	1,435,355	1,642,125	

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

Attachments:

No Attachments