Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/31/2001

GAIN Report #IN1066

India

Cotton and Products

Cotton Update - November 2001

Approved by:
Weyland Beeghly
U.S. Embassy
Prepared by:
Santosh Kr. Singh

Report Highlights:

Severe bollworm infestation in the North has lowered the production estimate for this year's cotton crop to 15.6 million bales. At the same time, the successful but unauthorized use of Bt cotton by Gujarati farmers is stoking the controversy over biotech crops.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Table of Contents

SECTION I - SITUATION AND OUTLOOK

Note : All figures in the text are in 170 kg bales unless otherwise noted.

Production Estimate Lowered on Pest Damage in North

Post's estimate of MY 2001/02 cotton production has been lowered to 15.6 million bales due to severe pest infestation in the northern states (Punjab, Haryana and Rajasthan). Losses in these states will be partially offset by improved prospects in Maharashtra and Andhra Pradesh (Table 3). Estimates from trade sources range from 14.6 to 16.0 million bales, and a clearer picture will likely emerge only by late November when picking/arrivals accelerate in most growing areas. Based on the provisional estimates provided by the state agriculture departments (Table 3), the 2001/02 cotton area has been marginally raised to 8.7 million hectares.

The northern cotton belt has suffered especially heavy damage due to the severe infestation of bollworm (heliothis) and white flies, caused by early plantings and abnormal weather conditions. Normally first generation heliothis spores emerge in May/June and are virtually eliminated by high temperatures (above 42 degree Celsius) and lack of feeding material. This year, however, the north saw an early monsoon and good rains from June through August. As the crop was planted early (late April/early May vs. normal planting in late May), this allowed the flowering and boll formation stages to precede normal withdrawal of the monsoon in September. Early emergence, high humidity and cloud cover were very conducive for the multiplication of the heliothis. By August, when the crop was in the most vulnerable stages, there was such a heavy built-up of pests that farmers had to spray 15-25 times (against a normal 8-12 sprayings). Even then, much of the crop was lost.

Heliothis attacks were also reported in Gujarat in late August/early September, affecting the first picking of early varieties. Clear, dry weather since then, however, has helped contain the pest, and the crop is progressing well. Market sources expect that Gujarat cotton will once again have a normal number of pickings (6-7) against last year's drought-affected 3-4 pickings. The crops in Maharashtra and Madhya Pradesh are reportedly excellent due to sufficient late August/early September rains. Although coastal Andhra Pradesh received heavy rains in mid-October, there are no reports of damage. Rains in Andhra at this time of year also support additional late season pickings. Karnataka and Tamil Nadu have received adequate rains and prospects there are good.

Despite Slow Pace of Arrivals, Prices Are Plummeting...

Early sown crop from the North and parts of central India have begun arriving at markets, albeit in smaller quantities than last year due to pest damage in the North and rain delays in the central states. Market sources estimate that arrivals are currently running around 25,000-28,000 bales per day, compared with normal arrivals of 45,000-50,000. Despite the slow arrivals, prices of various staple lengths declined by 9 to 16 percent in October on poor mill off take and pressure from low international bids. Nevertheless, prices for domestic staples (49-66 cents/lbs.) are still nearly 5-8 cents above landed prices of comparable international cotton. Prices are expected to erode further as arrivals gain momentum from mid-November in most producing areas.

... And May Bring Government Intervention

Another 5-10 percent decline in domestic cotton prices would bring in government parastatals such as the Cotton Corporation of India and the state cotton marketing federations to support growers at the government's minimum support price (MSP). With international cotton prices at historic lows, some state marketing federations and farmer associations are lobbying for an increase in the import duty on raw cotton from the existing 5.5 percent. We expect to see strong opposition from the mills on this matter. A hike in the duty would, however, have only a very limited impact on cotton imports as almost 80 percent of these imports are being brought in by Export Oriented Units (EOU). EOUs are allowed to import cotton at zero duty against their finished product exports. Some of the other options available to the government to ride out the price crisis are fixed bonus payments to farmers and/or waivers of losses incurred by the state marketing federations in MSP operations.

GEAC Orders Destruction of Gujarat's Stealth Biotech Cotton

The Genetic Engineering Approval Committee (GEAC) has ordered the destruction of several thousand hectares of illegally-grown biotech cotton in Gujarat. The stealth cotton, supplied by Navbharat, an Ahmedabad-based seed company, was discovered several weeks ago by Mahyco, Monsanto's joint-venture partner in India. (Monsanto/Mahyco, which has performed trials in India for five years without securing GEAC approval for commercial production, claims that Navbharat lifted the Bt gene from them and backcrossed it into Navbharat hybrids.) The GEAC, whose permission is required for the commercial use of any genetically modified organisms, has not approved cultivation of GMO crops and, in fact, did not even receive an application from Navbharat for approval of its Bt variety (Navbharat-151). The GEAC has ruled that Navbharat will be required to compensate farmers whose crops are to be destroyed.

Although N-151 has apparently been commercially marketed in Gujarat for the past two years, its bollworm resistance was only strongly evident in the current season, as cloudy weather and high humidity provided ideal conditions for the proliferation of heliothis, which last year was largely constrained by drought. Despite this year's heavy insect infestation, farmers observed that the N-151 seeded area showed a high mortality of heliothis worms, even in fields that had not been sprayed. At the same time, Navbharat began advertising the insect resistance of its new variety. Use of the seed has elicited an overwhelmingly positive response from farmers. Market sources in Gujarat report a mad scramble amongst farmers and ginners to book the f/2 generation of seeds from farmers who planted the f/1 seeds. Advance sales of seed are being made at prices ranging from rs. 1000-1500/kg, 3-4 times the price of normal hybrid seed, even though the f/2 generation will have lower yield potential (due to reduced hybrid vigor) than the f/1.

India's GMO regulatory body has decided that destruction of the N-151 fields is essential if, for no other reason, than to warn seed companies of the financial risks of the unauthorized release of GMO varieties. Sources in Gujarat, however, claim that farmers have already begun picking the crop, and will strongly resist any government efforts to destroy it. At a huge October 30 rally, Sharad Joshi, leader of a major farmers organization and, until recently, Chairman of the Prime Minister's Task Force on Agriculture, decried the governments' attempt to deny farmers access to biotech varieties. Joshi reportedly said that the government would have to "walk over corpses to destroy this crop." It is, he said, a question of the farmer's freedom to select his seed and access new technology. "By depriving farmers of their freedom to choose their seed," he said, "the governments (in Gandhinagar and New Delhi) have turned a blind eye to science."

SECTION II - STATISTICAL TABLES

Table 1: Commodity, Cotton, PSD Table (metric tons)

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/1999		08/2000		08/2001	(MONTH/YEAR)
Area Planted	8791000	8791000	8122000	8122000	8660000	8740000	(HECTARES)
Area Harvested	8791000	8791000	8122000	8122000	8660000	8740000	(HECTARES)
Beginning Stocks	1034201	1034201	1069689	1069689	873735	873735	METRIC TONS
Production	2651909	2651909	2373219	2373219	2720000	2652000	METRIC TONS
Imports	348362	348362	337476	337476	359249	359249	METRIC TONS
TOTAL SUPPLY	4034472	4034472	3780384	3780384	3952984	3884984	METRIC TONS
Exports	15241	15241	10886	10886	10886	10886	METRIC TONS
USE Dom. Consumption	2693862	2693862	2643500	2643500	2711502	2711500	METRIC TONS
Loss Dom. Consumption	255680	255680	252263	252263	249580	249580	METRIC TONS
TOTAL Dom. Consumption	2949542	2949542	2895763	2895763	2961082	2961080	METRIC TONS
Ending Stocks	1069689	1069689	873735	873735	981016	913018	METRIC TONS
TOTAL DISTRIBUTION	4034472	4034472	3780384	3780384	3952984	3884984	METRIC TONS

Note: Production figures for MY 1999, 2000, 2001 include 700,000 bales, 850,000 bales and 800,000 bales of loose cotton, respectively (170 kg bales).

Table 2: Commodity, Cotton, PSD Table (480 lbs bales)

PSD Table							
Country:					Conversion	0.004593	
Commodity:							
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	8791000	8791000	8122000	8122000	8660000	8740000	(HECTARES)
Area Harvested	8791000	8791000	8122000	8122000	8660000	8740000	(HECTARES)
Beginning Stocks	4750	4750	4913	4913	4013	4013	1,000 480lb bales
Production	12180	12180	10900	10900	12493	12180	1,000 480lb bales
Imports	1600	1600	1550	1550	1650	1650	1,000 480lb bales
TOTAL SUPPLY	18530	18530	17363	17363	18156	17843	1,000 480lb bales
Exports	70	70	50	50	50	50	1,000 480lb bales
USE Dom. Consumption	12373	12373	12141	12141	12454	12454	1,000 480lb bales
Loss Dom. Consumption	1174	1174	1159	1159	1146	1146	1,000 480lb bales
TOTAL Dom. Consumption	13547	13547	13300	13300	13600	13600	1,000 480lb bales
Ending Stocks	4913	4913	4013	4013	4506	4193	1,000 480lb bales
TOTAL DISTRIBUTION	18530	18530	17363	17363	18156	17843	1,000 480lb bales

Note: Production figures for MY 1999, 2000, 2001 include 700,000 bales, 850,000 bales and 800,000 bales of loose cotton, respectively (170 kg bales).

Table3: Area, Production & Yield of Cotton in Major States
(area 000 ha, production 000 bales of 170 kgs, yield kgs/ha)

					Final	Revised	Forecast
STATE		1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02
Maharashtra	Area	3085	3139	3199	3254	2793	3100
	Production	3300	2150	2650	3650	2000	3200
	Yield	182	116	141	191	122	175
Gujarat	Area	1484	1519	1607	1516	1578	1730
	Production	3425	4200	4750	2850	2300	3700
	Yield	392	470	502	320	248	364
Madhya Pradesh	Area	527	517	501	525	555	580
	Production	1875	2250	1875	1550	1750	1700
	Yield	605	740	636	502	536	498
Punjab	Area	742	727	562	475	474	600
	Production	1600	725	500	800	900	1000
	Yield	367	170	151	286	323	283
Haryana	Area	649	638	582	546	572	580
	Production	1350	900	700	1050	1000	600
	Yield	354	240	204	327	297	176
Rajasthan	Area	654	645	645	583	482	410
	Production	1400	1100	1150	1300	1050	600
	Yield	364	290	303	379	370	249
Andhra Pradesh	Area	1007	898	1278	1040	887	900
	Production	2650	2550	2500	2200	2600	2600
	Yield	447	483	333	360	498	491
Karnataka	Area	668	518	608	600	535	520
	Production	900	750	875	800	850	700
	Yield	229	246	245	227	270	229
Tamil Nadu	Area	260	247	243	185	170	220
	Production	550	500	550	550	550	550
	Yield	360	344	385	505	550	425
Others	Area	46	56	62	67	76	100
	Production	100	100	125	150	150	150
	Yield	370	304	343	381	336	255
All-India	Area	9122	8904	9287	8791	8122	8740
	Production	17150	15225	15675	14900	13150	14800
	Yield	320	291	287	288	275	288

Note: Production figures for 1996/97 - 2001/02 in the PS&D include loose cotton estimates.

Table 4: Month End Prices of Popular Varieties (rupees per metric ton)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2000/01						
Aug	27840	50900	54550	58770	68330	88000
Sept	27560	47240	53990	57650	68330	83520
Oct	32060	46120	54830	58210	67490	82950
Nov	33180	52020	61300	65240	73110	96960
Dec	30090	50620	59050	61860	71710	101160
Jan	29530	50330	56240	61300	72550	99200
Feb	28680	50330	52870	57650	67490	98360
Mar	30370	50330	53430	58210	67490	98360
Apr	32620	50620	54830	57080	67490	98360
May	34590	52870	56240	59050	71710	98360
Jun	35430	52580	56240	57650	70300	98360
Jul	34590	50050	53150	56240	67490	89960
Avg Price	31378	50334	55560	59076	69458	94462
2001/02						
Aug	34590	51460	52580	54830	66080	88000
Sept	36560	46960	52300	54830	64680	87160
Oct 23	36560	39370	46680	49210	59050	78740

Source: East India Cotton Association, Mumbai