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India

Cotton and Products

Cotton Update - November 2000

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Report Highlights:

Drought in western India has reduced 2000/01 cotton production to an estimated 15.6 million bales (170 kg) despite improved conditions in other growing areas.

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

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Note: All data in narrative are 170 kg bales.

2000/01 Production Estimate Lowered on Dry Conditions in Gujarat

Post's estimate of this year's cotton production has been lowered to 15.6 million bales due to inadequate monsoon rains in Gujarat and parts of Rajasthan. Crop losses in these states will be partially offset by improved prospects in the northern states of Punjab and Haryana and other cotton growing areas (table 3). Early sown cotton from North and parts of Central India have begun arriving at markets, and crop quality is reported to be significantly better than last year's. Production estimates from trade sources range from 15.5 million to 16.0 million bales. A clearer picture will emerge only by mid-November when pickings accelerate in most growing areas. The Cotton Advisory Board is scheduled to meet in late November to discuss the first estimate for the 2000/01 season and revised estimates for 1999/00.

For the second consecutive year, the cotton belts of Gujarat and parts of (lower) Rajasthan and Madhya Pradesh (MP) received scanty monsoon rains (20-45 percent below normal) creating a drought situation similar to last year's. Weather during the last two months has been especially hot and dry, adversely affecting yields, as most of the crop is in early boll formation. Unless the region receives generous winter rains, the number of pickings will be reduced as drought will sharply limit late-season flowering. Meanwhile, the standing crop in Maharashtra and most of M.P. is doing well under adequate moisture conditions.

Due to timely seedings and the increased use of early sown varieties, the harvest in the northern states of Punjab, Haryana and (upper) Rajasthan is progressing on schedule, and is expected to conclude by the third week of November. Sources report that near-optimal weather conditions during most of the growing season has improved crop quality. Weather since September has been generally clear with sufficient sunshine and only scattered rains which is excellent for the flowering/boll formation/fruiting of the crop. Crop loss due to heliothis and white fly is much lower than in previous years as the dry/clear weather discouraged proliferation of pests.

Although parts of Andhra Pradesh (AP) received heavy rains in September (which may delay market arrivals by 1-2 weeks), there are no reports of significant crop damage. Heavy rains during this time of the year are not unusual in Andhra, and could support late season pickings. Karnataka and Tamil Nadu received sufficient rains during Sep/Oct. and prospects for the upcoming crop are good. Arrivals in the region will by in full swing in November/December.

1998/99 Estimates Revised

Based on official estimates of the Cotton Advisory Board, Post's 1998/99 production estimate has been raised to 16.5 million bales. This includes a higher estimate of loose cotton (825,000 bales) than used earlier (625,000 bales). Non-mill (loss domestic) consumption, which accounts for the bulk of loose cotton usage, has also been raised to 1.36 million bales. On the basis of final official estimates, the 1998/89 area has been revised marginally to 9.28 million hectares.

Prices Ease on Brisk Arrivals

Market arrivals have begun in Northern India, Gujarat, MP and parts of AP and Karnataka. The large Northern crop has contributed to a brisk pace, and market sources indicate that current arrivals are 35-40,000 bales per day, against last year's level of 28-30,000 per day. Prices eased marginally during October (table 4) and domestic spot prices of short staple, exportable varieties (J-34, H-4, Shankar-6) are currently 46-58 cents/lb. Most mills are delaying purchases as they assess the domestic crop and international price movements. Prices are expected to soften in the coming months as arrivals increase into late November.

Import Estimate Raised on Gujarat Shortfall

Despite firm international prices, estimated 2000/01 imports have been increased to 1.2 million bales on the reduced availability of Shankar-6 (28-30 mm) cotton from Gujarat. Mills are expected to augment the anticipated domestic shortfall in this staple length through imports of comparable cotton from other origins. Market sources expect, like last year, that India will source most of its cotton from West Africa, Australia, CIS, and the US, depending on relative prices. Firm international prices, however, coupled with a weakening rupee (vis-a-vis the US dollar) and rather depressed cotton yarn/fabric export prices are expected to keep MY 2000/01 imports lower than last year's estimated 1.5 million bales.

Export Quota for 2000/01 Nearly Doubled...

The GOI has released an export quota of 900,000 bales for the 2000/01 season, compared with last year's quota of 500,000 bales. Of this, the private trade has been allotted nearly 400,000 bales (240,000 bales staple cotton, 140,000 Bengal Desi and 20,000 of ELS Suvin cotton). The Cotton Corporation of India has been allotted 250,000 bales, with the balance to be shared by state marketing federations.

...But Prospects Limited

Despite a large increase in the export quota, export prospects remain slim as domestic cotton prices are uncompetitive in the international market after discounting for the lower quality associated with Indian cotton. Initial bids for the export quota to the private trade were opened on October 18, and attracted quotations for only 24,500 bales of staple cotton (52-64 cents/lbs FOB) and 12,000 bales Bengal Desi (34-44 cents/lbs FOB).

Despite a firming of international prices, domestic prices of exportable varieties (J-34, H-4 and Shankar-6) are similar to quotations of comparable cotton from other origins after accounting for transportation/shipment costs. As Indian cotton is normally discounted by 5-10 percent for lower quality, domestic prices need to decline by another 10-15 percent to be competitive in the world market. Adverse production prospects in Gujarat, however, have lowered the chances of any significant decline in prices. Consequently, we continue to estimate 2000/01 exports at 100,000 bales.

Table 1: Commodity, Cotton, PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/1998		08/1999		08/2000	(MONTH/YEAR)
Area Planted	9303000	9287000	8646000	8646000	8770000	8770000	(HECTARES)
Area Harvested	9303000	9287000	8646000	8646000	8770000	8770000	(HECTARES)
Beginning Stocks	908650	908650	999940	1000110	1042440	1042610	METRIC TONS
Production	2771000	2805000	2686000	2686000	2720000	2652000	METRIC TONS
Imports	110500	110500	255000	255000	127500	204000	METRIC TONS
TOTAL SUPPLY	3790150	3824150	3940940	3941110	3889940	3898610	METRIC TONS
Exports	42500	42500	8500	8500	17000	17000	METRIC TONS
USE Dom. Consumption	2550510	2550510	2686000	2686000	2762500	2762500	METRIC TONS
Loss Dom. Consumption	197200	231030	204000	204000	212500	212500	METRIC TONS
TOTAL Dom. Consumption	2747710	2781540	2890000	2890000	2975000	2975000	METRIC TONS
Ending Stocks	999940	1000110	1042440	1042610	897940	906610	METRIC TONS
TOTAL DISTRIBUTION	3790150	3824150	3940940	3941110	3889940	3898610	METRIC TONS

Note: Production figures for MY 1998, 1999 & 2000 include 825,000 bales, 800,000 bales and 700,000 bales of loose cotton, respectively (170 kg bales).

Table 2: Commodity, Cotton, PSD

PSD Table							
Country:					Conversion	0.004593	
Commodity:							
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	9303000	9287000	8646000	8646000	8770000	8770000	(HECTARES)
Area Harvested	9303000	9287000	8646000	8646000	8770000	8770000	(HECTARES)
Beginning Stocks	4173	4173	4593	4593	4788	4789	1,000 480lb bales
Production	12727	12883	12337	12337	12493	12180	1,000 480lb bales
Imports	508	508	1171	1171	586	937	1,000 480lb bales
TOTAL SUPPLY	17408	17564	18100	18101	17866	17906	1,000 480lb bales
Exports	195	195	39	39	78	78	1,000 480lb bales
USE Dom. Consumption	11714	11714	12337	12337	12688	12688	1,000 480lb bales
Loss Dom. Consumption	906	1061	937	937	976	976	1,000 480lb bales
TOTAL Dom. Consumption	12620	12775	13274	13274	13664	13664	1,000 480lb bales
Ending Stocks	4593	4593	4788	4789	4124	4164	1,000 480lb bales
TOTAL DISTRIBUTION	17408	17564	18100	18101	17866	17906	1,000 480lb bales

Note: Production figures for MY 1998, 1999 & 2000 include 825,000 bales, 800,000 bales and 700,000 bales of loose cotton, respectively (170 kg bales).

Table 3: Area, Production & Yield of Cotton in Major States
(Area Tha, Production Thousand bales of 170 kgs, Yield Kgs/Ha)

					Final	Revised	Forecast
STATE		1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01
Maharashtra	Area	3065	3085	3139	3199	3254	2900
	Production	2860	3300	2150	2650	3650	2800
	Yield	159	182	116	141	191	164
Gujarat	Area	1410	1484	1519	1607	1516	1520
	Production	3220	3425	4200	4750	2900	2800
	Yield	388	392	470	502	325	313
Madhya Pradesh	Area	537	527	517	501	514	540
	Production	1455	1875	2250	1875	1550	1800
	Yield	461	605	740	636	513	567
Punjab	Area	750	742	727	562	475	550
	Production	1580	1600	725	500	800	1100
	Yield	358	367	170	151	286	340
Haryana	Area	646	649	638	582	510	580
	Production	1210	1350	900	700	1050	1150
	Yield	318	354	240	204	350	337
Rajasthan	Area	606	654	645	645	465	610
	Production	1450	1400	1100	1150	1300	1200
	Yield	407	364	290	303	475	334
Andhra Pradesh	Area	1057	1007	898	1278	1015	1150
	Production	2895	2650	2550	2500	2200	2500
	Yield	466	447	483	333	368	370
Karnataka	Area	674	668	518	608	600	600
	Production	1055	900	750	875	850	850
	Yield	266	229	246	245	241	241
Tamil Nadu	Area	265	260	247	243	225	250
	Production	620	550	500	550	550	550
	Yield	398	360	344	385	416	374
Others	Area	53	46	56	62	72	70
	Production	125	100	100	125	150	150
	Yield	401	370	304	343	354	364
All-India	Area	9063	9122	8904	9287	8646	8770
	Production	16470	17150	15225	15675	15000	14900
	Yield	309	320	291	287	295	289

Note:
1: Production figures for 1993/94 - 2000/01 in the PS&D include loose cotton estimates.

2: Loose Cotton estimate for 1995/96 (500,000 bales); 1996/97 (675,000 bales); 1997/98 (575,000 bales); 1998/99 (825,000 bales); 1999/2000 (800,000 bales) and 2000/01of 700,000 bales respectively.

3: Due to a shift in the cotton marketing season from Sep/Aug to Oct/Sep in 1996/97, 1995/96 season's production is a 13 month period, i.e., Sep 1995 thru Sep 1996.

Table 4: Month End Prices of Popular Varieties

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
1999/00						
Aug	37680	49770	53990	57370	70300	75920
Sep	35430	49770	54550	56240	70300	75920
Oct	32900	42180	51740	53430	-	75920
Nov	28680	37960	50050	52300	67490	77330
Dec	28960	37680	48650	52020	66080	82950
Jan	29240	42740	49490	53990	67490	84360
Feb	29240	41900	50620	54830	65240	87160
Mar	29530	44710	52020	55120	66080	84360
Apr	30370	45550	52870	56240	66080	84360
May	33740	50620	53430	58490	66080	85760
June	34030	50900	53990	58210	66080	89960
July	31490	51180	54270	57080	67490	92760
Avg. Prices	29224	42561	48587	51721	57646	77483
2000/01						
Aug	27840	50900	54550	58770	68330	88000
Sep	27560	47240	53990	57650	68330	83520
Oct 16	28120	46960	54270	57930	68890	82950

Exchange Rate: 1 US$ = 46.5 Indian Rupees, October 2000.

Source: East India Cotton Association, Mumbai