

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

Post estimates cotton production at 28.9 million 480-lb bales in marketing year (MY) 2020/21 on an area of 12.9 million hectares. Cotton planting continues at record pace higher than the five-year average. Early onset of monsoon, good climatic conditions, and the availability of labor has supported this accelerated pace of sowing across all states. While raw cotton exports continue to show signs of slow recovery, new domestic demand appears to be virtually non-existent. Mills continue to limit buying despite low prices, carrying excess stocks. Post has provided a detailed breakdown of its stock estimates in this report.

Production, Supply and Demand Data Statistics:

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug 2018		Aug 2019		Aug 2020	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	12,600	12,600	13,300	13,300	12,500	12,900
Beginning Stocks	9,225	9,225	9,314	9,314	19,214	17,714
Production	25,800	25,800	30,500	29,300	28,500	28,900
Imports	1,800	1,800	2,400	2,300	1,100	1,000
MY U.S. Imports	-	-	-	-	-	-
Total Supply	36,825	36,825	42,214	40,914	48,814	47,614
Exports	3,511	3,511	3,000	3,200	4,500	3,500
Use	24,000	24,000	20,000	20,000	23,000	23,000
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,000	24,000	20,000	20,000	23,000	23,000
Ending Stocks	9,314	9,314	19,214	17,714	21,314	21,114
Total Distribution	36,825	36,825	42,214	40,914	48,814	47,614
Stock to Use (b)	34%	34%	84%	76%	78%	80%
Yield (c)	446	446	499	480	496	488

Figures in Thousand 480-lb Bales,

Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares

Area and Production

Post estimates India's cotton production at 28.9 million 480-lb bales (37.1 million 170-kilogram bales/ 6.29 MMT) for marketing year (MY) 2020/21, due to lower harvested area at 12.90 million hectares. Post's area estimate is 400,000 hectares higher than the official USDA estimate.

Early onset of monsoon, good climatic conditions, and the availability of labor has supported the accelerated pace of planting across all the states. According to the Ministry of Agriculture and Farmers Welfare's (MOAFW), [July 10, 2020 report](#), the overall cotton planting for *Kharif* 2020 season reached 10.48 million hectares, 35 percent higher than last year, and 27 percent higher than the five-year average.

According to the latest advisory issued by the Agricultural Meteorology Division of the Indian Meteorological Department (IMD), farmers in the northern state of Punjab are advised to regularly monitor the cotton crop (currently in flowering stage) for incidence of Whitefly and Jassid. For whitefly infestation, farmers are advised to spray the crop early morning when its population reaches six whiteflies per leaf in the upper canopy. There are reports of severe attack of Jassid and Thrips in the cotton fields in the western plain zone of Punjab (Faridkot and Firozpur districts). Due to ongoing rains, farmers are advised not to irrigate the crop, and drain excess water from field. Similar advisories has been issued in the state of Haryana. In Maharashtra, the crop is at emergence to vegetative stage, while

sowing is under way in northern Karnataka and Madhya Pradesh. In Telangana, farmers are advised to not sow cotton in light soils under rainfed conditions, and intercrop red gram and cotton. In Gujarat, sowing of cotton, pigeon pea, castor, and sesame as an intercrop with groundnut is suggested to reduce crop loss due to uneven weather and erratic rainfall.

Arrivals

As of June 30, 2020, MY 2019/20 cotton arrivals as reported by the Cotton Corporation of India had reach around 25.8 million 480-lb. bales (33 million 170-kilogram bales/ 5.6 MMT). Based on the production estimate of the Cotton Advisory Board (CAB), 92 percent of the crop has arrived in the market. Due to the lockdown measures, arrivals in April and May were delayed and relatively low quantities were reported. Arrivals in June were quite high indicating farmers are looking to sell the crop even at prices well below the minimum support price. Seed cotton prices in July continue remain more than 22 percent below last year, and almost 19 percent below the minimum support price (MSP). Government agencies have been actively procuring under the MSP program; however, they follow strict quality norms and discounted a significant percentage of the procured crop, leading farmers to carry out sales below the MSP. In addition, the weak mill offtake and prospects of another large crop will likely continue to suppress farm gate prices, and may lead to another large MSP operation in MY 2020/21.

MSP Procurement

Due to a combination of factors (high production and low buyer interest due to a slowdown in textile demand), the Cotton Corporation of India (CCI), under the Ministry of Textiles, has conducted a massive minimum support price (MSP) procurement of cotton supplies in 2019/20 (Oct/Sep), and is holding close to 8 million 480-lb. bales (10.3 million 170-kilogram bales/1.75 MMT) in stock, as of June 30. In addition, MSP procurement in Maharashtra, the second largest producer of cotton in India, on CCI's behalf coupled with last year's unsold stock brings the total amount of stocks with government agencies to around 10.15 million 480 lb. bales (13 million 170-kilogram bales/2.21 MMT) as of the end of June. As demand picks up, stocks will be offloaded, however, these are unprecedented levels of inventory and in an ideal scenario would take at least two quarters to be exhausted.

Early Breeding locusts may impact cotton crop

According to the Government of India, swarms of immature pink locusts and adult yellow locusts are active in districts of Rajasthan; Gujarat and Uttar Pradesh. Some minor crop losses have been reported in some districts of Rajasthan. As per the Food and Agriculture Organization's Locust Status Update of July 3, 2020, many of the spring-bred swarms migrated to Indo-Pak border before the monsoon rains. The forecast is that these swarms will return to Rajasthan with the start of the monsoon in the coming days to join other swarms still arriving from Iran and Pakistan, which is expected to be supplemented by swarms from the Horn of Africa around mid-July. Early breeding has already occurred along the Indo-Pak border where substantial hatching and band formation will take place in July that will cause the first-generation summer swarms to form in mid-August. For more details, please refer - [PIB Press Release 1637931](#).

Consumption

Post estimates MY 2020/21 cotton consumption at 23 million 480-lb bales (29.45 million 170-kilogram bales/5 MMT). This estimate is similar to the official USDA estimate. Post continues to maintain the lower estimate based on a weak retail sector outlook, higher levels of unsold stocks, limited government

support, operational issues faced by mills (limited labor, increased testing and compliance costs), and lockdown measures imposed by state governments.

Indian ex-gin cotton prices remain 8-10 cents lower than Cotlook A-Index, one of the cheapest in the world. Typically, low prices provide an opportunity for mills to increase their coverage (increase cotton bale inventory) during the lean period (July-September) when market arrivals are very low. However, labor shortages, lockdown measures at factories, and weak export demand for yarn, garments and fabric is limiting production increases hence low buyer interest. Production and shipments are moving again for pipeline orders (existing contracts), which were earlier on hold. However, trade sources indicate that mills are covered (in terms of supply) between 40-60 days which may get extended if local wholesale markets don't open, and unless mill operational capacity significantly improves. Trade sources indicate that spinning mills are operating at 60-70 percent capacity. Mills are carrying excess stocks of both cotton and cotton yarn and the short- to medium-term outlook for this sector looks difficult. On demand side, apparel retailers have been operating with a minimal number of stores and are held back by ongoing lockdown restrictions. Retailers in malls as compared to standalone and high-street stores were impacted more, as they were allowed to open only in the latter end of the quarter.

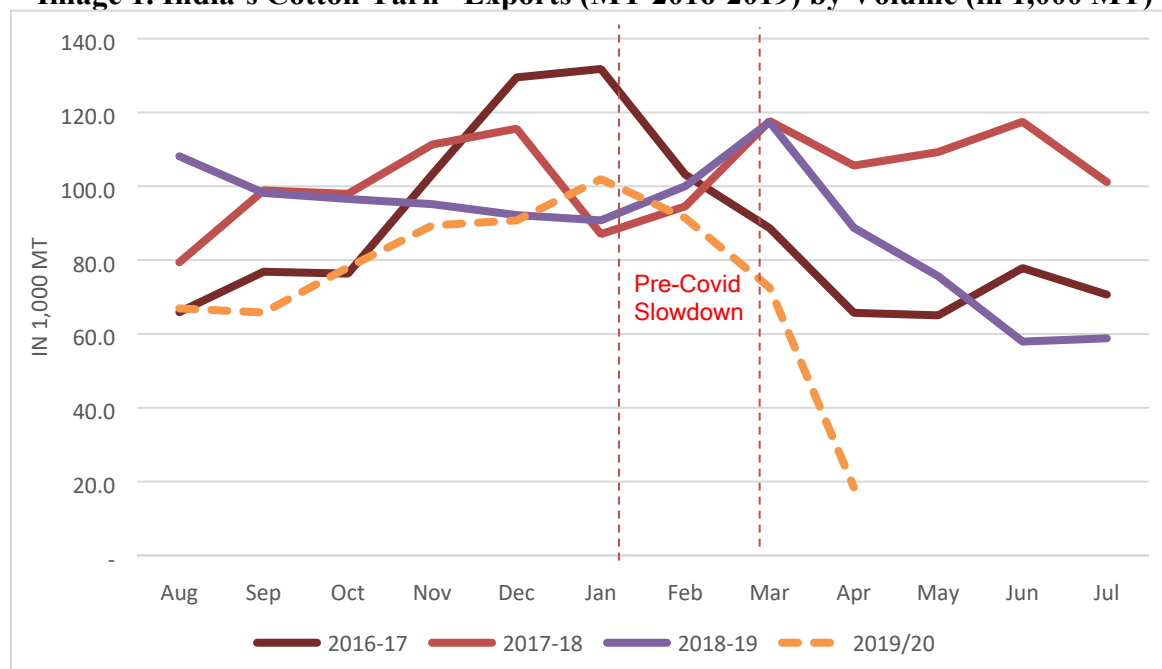
Post has revised MY 2019/20 consumption to 20 million 480-lb bales, same as official USDA official estimate. For the month of May 2020, the quick estimates of Index of Industrial Production (IIP), indicate that the textile manufacturing sector witnessed a 73 percent negative growth in production volume as compared to May 2019 highlighting the ongoing contraction due to COVID-19. Cumulatively, Indian fiscal year 2020/21 (Apr/May) witnessed an 84 percent decline as compared to 2019/20. For more details please refer to [Quick Estimates of IIP May 2020](#).

Trade

Post estimates MY 2020/21 exports at 3.5 million 480-lb bales (4.48 million 170-kilogram bales/760,000 MT). Post's estimate is almost 1 million 480-lb bales lower than the official USDA estimate. Post anticipates an expected large crop, massive exportable supplies, and increased competition will continue to keep prices suppressed which will put pressure on government agencies and traders to offload the stocks. Trade sources indicate that raw cotton export shipments in June were almost double (92 percent higher) than the previous month. Bangladesh, China, Vietnam and Turkey were the top export destinations for shipments during the month.

According to the data from Ministry of Commerce, cotton yarn exports in MY 2019/20 between Aug 2019-Mar 2020 (*Pre-Covid*) were down 18 percent by volume as compared to same period last year. This weak demand was further exasperated by the global pandemic (refer image 1). As preliminary data for April indicates, cotton yarn exports fell by 75 percent by volume as compared to previous month, and 79 percent lower from last year.

Image 1. India's Cotton Yarn* Exports (MY 2016-2019) by Volume (in 1,000 MT)



***HS code: 5204, 5205 and 5207**

Source: Directorate General of Foreign Trade, Ministry of Commerce

Provisional trade estimates published by the Ministry of Commerce indicate that exports of cotton yarn/fabrics/made-ups, handloom products are down by 3.83 percent (by USD value) in June 2020 as compared to the same period last year. The cumulative value of exports between April-June fell by 45.48 percent, compared to same period last year. Similarly, exports of readymade garments of all textiles are down by 34.84 percent in June from last year. The cumulative value of exports from April – June reduced by 65.32 percent from same period last year. The impact of COVID-19 outbreak has not spared exports of man-made yarn/fabrics/made-ups, as they are down by 31.98 percent in June from last year. For more details please refer [Quick Estimates for Selected Major Commodities for June 2020](#).

Post estimates MY 2020/21 imports at 1 million 480-lb bales (1.28 million 170-kilogram bales/218,000 MT). Post's estimate is 100,000 480-lb bales lower than official USDA estimate. The depreciation of the Indian rupee depreciation has made imports very expensive, so Post expects only higher grades of cotton to be imported. Trade estimates indicate that the import of raw cotton reduced marginally in June 2020 from last month. Mali, the United States, and Côte d'Ivoire were the top suppliers during the month.

Indian Stock Conundrum

The stock estimates of the Indian government and select private entities continue to be significantly lower than official USDA estimates, due to a difference in methodology and assumptions.

USDA continues to share its methodology at various public forums, and makes revisions as and when additional evidence is made available, the most recent revision being in October 2018. The lack of availability of official data, coupled with delays/time-lags makes it a cumbersome exercise.

Post has attempted below to provide an estimate of **minimum** carryover stock detailing various assumptions for each stakeholder. Post understands that various stakeholders in the cotton supply chain may adopt different assumptions, so variability in estimates is expected.

The Cotton Advisory Board (CAB) published official Indian cotton stock estimates in November 2019; since then a number of unforeseen factors including the COVID-19 pandemic, and various geopolitical factors have impacted the pattern of trade and consumption affecting the overall stock position. A comparison of June/July USDA carryover stock position with November 2019 CAB estimates may not be practical. Post will revise the estimates once CAB publishes final figures for Indian marketing year 2019/20.

**Table 1. India's Minimum Stock Estimates for MY 2019/20 (Aug/Jul)
based on Post Analysis as of June 30, 2020**

	Indian 170 kg bales	U.S. 480 lb. bales
1. Government Procurement \1	13,000,000	10,150,450
2. Mill Stocks \2	4,000,000	3,123,215
3. Gins, Exporters and Traders \2	500,000	390,402
4. On-Farm Stocks \3	3,000,000	2,342,412
Total**	20,500,000	16,006,479

Source: \1 Cotton Corporation of India and The Maharashtra State Co-operative Cotton Growers Marketing Federation Limited

\2 FAS Analysis

\3 Cotton Advisory Board (CAB) estimate, November 28, 2019

****This minimum stock estimate is based on CAB production estimate of 28.1 million 480-lb. bales (36 million 170-kilogram bales/6.1 MMT).**

Government Procurement- The Cotton Corporation of India (CCI), under the Ministry of Textiles, is undertaking a massive minimum support price (MSP) procurement of cotton supplies in 2019/20 (Oct/Sep), holding close to 8 million 480-lb. bales (10.3 million 170-kilogram bales/1.75 MMT) in stock, by June end. In addition, MSP procurement in Maharashtra, undertaken by a state marketing federation on CCI's behalf has another 1.33 million 480 lb. bales (1.7 million 170-kilogram bales/289,000 MT) coupled with last year's unsold stock of 664,000 480 lb. bales (850,000 170-kilogram bales/144,500 MT), amounting to around 10.15 million 480 lb. bales (13 million 170-kilogram bales) with government agencies. In addition, CCI has been offering bulk discounts to offload the inventory as prospects of another relatively large crop will add pressure of undertaking a large MSP operation in MY 2020/21. However, buying has remained insignificant as CCI has been able to sell less than ten percent of the procured cotton by mid-July.

Mill Stocks – While the pandemic brought mill operations to a standstill in April, the operations in May and June saw signs of early recovery. Despite 60-70 percent operational capacity, mills across India are

estimated to be covered for 45-60 days of inventory. According to data from the Textile Commissioners office (TCO) and CAB, the five-year (2013-2017) moving average of monthly mill consumption is around 1.95 million 480 lb. bales (2.5 million 170-kilogram bales). On account of the pandemic, virtually non-existent demand in domestic market for cotton and cotton products, post estimates reduced inventory of 3.1 million 480 lb. bales (4 million 170-kilogram bales). Post estimates average of two months (60 days) of stock being held by mills which will decline further as mill operations return to normalcy in the next two quarters.

Ginners, Exporters and Traders – Post estimates combined stocks of 390,400 480 lb. bales (500,000 170-kilogram bales) with ginners, exporters and traders. Trade sources indicate that stocks may well be twice the stocks estimated by Post, however the lack of official data leads to varying estimates. The only confirmed stocks is based on the warehouse stock position at one of the leading exchanges on July 16, 2020, carrying around 94,000 480 lb. bales (120,000 170-kilogram bales) available for exchange delivery. Based on a five-year moving average, exports in August and September constitute around five percent of the total exports in a season which is around 211,000 480 lb. bales (270,000 170-kilogram bales). Post assumes that exporters will hold at least amount equal to one month's shipment.

On-Farm Stocks – According to the Cotton Advisory Board (CAB), production estimates published in November 2019 indicate MY 2019/20 Indian crop is around 28.1 million 480-lb. bales (36 million 170-kilogram bales/6.1 MMT). However, the reported market arrivals by the Cotton Corporation of India (CCI) as of June end were around 25.8 million 480 lb. bales (33 million 170-kilogram bales/5.6 MMT). So, another 2.3 million 480 lb. bales (3 million 170-kilogram bales) are yet to arrive in the market. There are varied opinions on whether this remaining stock is either being held by farmers, or has already been ginned and being held by ginners/traders. Either way the crop has not entered the system, and there are varying methodologies being followed on accounting of this remaining crop. Certain stakeholders are accounting this remaining production as part of the next year's crop, consequently reducing the carryover stock position. Post does not follow this methodology as the relationship between yields and weather will be obscured if we allow delivery date to determine the assignment of output to a particular year. The on-farm stocks may last through Sep 30 or later, does not change the fact that it was produced in 2019/20 crop cycle.

Table 2. India: Kharif 2020 Cotton Sowing Position (area in hectares)

State	2020/21 as of July 9 2020	2019/20 as of July 9, 2019	Normal Area	Y-o-Y Change	Change from Normal
Andhra Pradesh	186,100	81,000	163,500	130%	14%
Telangana	1,822,200	1,082,000	1,139,300	68%	60%
Gujarat	1,825,200	1,876,000	1,735,000	-3%	5%
Haryana	737,000	676,000	615,200	9%	20%
Karnataka	283,700	121,900	209,600	133%	35%
Madhya Pradesh	587,000	518,000	512,200	13%	15%
Maharashtra	3,803,900	2,277,600	2,963,300	67%	28%
Odisha	80,000	70,200	82,200	14%	-3%
Punjab	501,000	402,000	355,400	25%	41%
Rajasthan	651,400	636,000	463,400	2%	41%
Tamil Nadu	5,000	3,600	3,600	39%	39%
Others	-	27,100	22,200	-	-
All India	10,482,500	7,771,400	8,264,900	35%	27%

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

**Normal Area is the five-year average during 2015 through 2019

**Table 3. India: State monthly wholesale prices for seed cotton in June 2020
(Prices in Indian Rupees per 100 kilograms)**

State	Prices, July, 2020**	Prices, June, 2020	Prices, July, 2019	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	-	6,010	-	-
Gujarat	4,121	4,290	5,896	-4%	-30%
Haryana	4,800	-	6,093	-	-21%
Karnataka	4,309	4,494	5,861	-4%	-26%
Madhya Pradesh	-	4,727	5,578	-	-
Maharashtra	5,250	5,020	5,850	5%	-10%
Odisha	3,929	3,948	4,793	0%	-18%
Punjab	-	-	5,026	-	-
Rajasthan	-	-	6,368	-	-
Tamil Nadu	4,403	4,369	5,819	1%	-24%
Telangana	-	-	6,051	-	-
Average	4,469	4,475	5,759	0%	-22%

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

**Arrivals reported for the period from July 1, 2020 - July 15, 2020

**Table 4. India: State Seed Cotton Arrivals in market yards
in July 2020** (in metric tons)**

State	Market Arrivals July, 2020	Market Arrivals July, 2019	Change (Over Previous Year)
Andhra Pradesh	-	602	-
Gujarat	15,777	1,514	942%
Haryana	125	897	-86%
Karnataka	5,795	825	602%
Madhya Pradesh	18	56	-68%
Maharashtra	1,197	25	4,688%
Odisha	200	3	6,688%
Punjab	-	25	-
Rajasthan	20	1,686	-99%
Tamil Nadu	4,817	1,929	150%
Telangana	2,280	28,856	-92%
Total	30,229	36,417	-17%

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

**Arrivals reported for the period from July 1, 2020 – July 22, 2020

Table 5a. 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\	209,078	35,543	163,249
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	4,497,201	764,524	3,511,432

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

Table 5b. India: Estimate of 2019/20 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	75,378	12,814	58,855
September Exports 1\	70,696	12,018	55,200
October Exports 1\	109,627	18,637	85,597
November Exports 1\	333,931	56,768	260,735
December Exports 1\	605,902	103,003	473,091
January Exports 1\	941,675	160,085	735,264
February Exports 1\	561,519	95,458	438,437
March Exports 1\	359,043	61,037	280,342
April Exports 3\	40,512	6,887	31,632
May Exports 3\	223,529	38,000	174,533
June Exports 3\	429,412	73,000	335,287
Preliminary Total (Aug-Jun)	3,751,225	637,708	2,928,971

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

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

3\ FAS Analysis

Table 6a. India: Estimate of 2018/19 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	153,248	26,052	119,657
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	2,305,387	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 6b. 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
October Imports 1\	360,272	61,246	281,301
November Imports 1\	222,081	37,754	173,402
December Imports 1\	124,683	21,196	97,353
January Imports 1\	99,325	16,885	77,553
February Imports 1\	96,118	16,340	75,050
March Imports 3\	112,053	19,049	87,491
April Imports 3\	87,276	14,837	68,146
May Imports 3\	95,812	16,288	74,810
June Imports 3\	116,312	19,773	90,817
Preliminary Total (Aug-Jun)	2,832,705	481,560	2,211,787

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

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

3\ FAS Analysis

Table 7: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)

Month/Year	2014/15	2015/16	2016-17	2017-18	2018/19	2019/20
Aug	94	117	66	79	108	67
Sep	98	112	77	99	98	66
Oct	101	106	76	98	97	78
Nov	125	105	103	111	95	89
Dec	125	115	129	116	92	91
Jan	113	104	132	87	91	103
Feb	119	100	103	95	100	91
Mar	122	112	89	118	117	73
Apr	104	105	66	106	89	18
May	99	94	65	109	76	
Jun	103	92	78	117	58	
Jul	118	75	71	101	59	
TOTAL	1,321	1,237	1,055	1,236	1,080	

*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 8. India's Cotton Fabric* Exports by Month
(Figures in thousand square meters)

Month/Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019/20
Aug	92,491	101,609	113,364	107,497	147,673	150,767
Sep	98,636	104,032	104,666	123,688	126,498	139,246
Oct	108,182	117,744	105,449	109,769	142,260	146,135
Nov	103,471	95,225	87,711	118,256	119,215	126,143
Dec	105,335	121,134	112,030	132,635	132,049	142,884
Jan	93,192	116,656	107,852	125,493	136,899	137,709
Feb	96,586	107,487	110,875	113,399	135,495	150,219
Mar	105,169	120,461	113,507	133,927	162,676	122,218
Apr	87,666	109,535	94,383	114,876	126,031	21,311
May	104,169	103,373	89,117	119,821	141,129	
Jun	104,505	97,043	93,410	122,381	131,507	
Jul	97,421	98,914	94,399	113,614	140,699	
TOTAL	1,196,821	1,293,214	1,226,764	1,435,355	1,642,132	

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

Attachments:

No Attachments.