Voluntary Report – Voluntary - Public Distribution **Date:** February 22, 2024

Report Number: IN2024-0007

Report Name: Cotton and Products Update January 2024

Country: India

Post: Mumbai

Report Category: Cotton and Products

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Report Highlights:

FAS Mumbai forecasts marketing year (MY) 2023/24 cotton production at 26 million 480 lb. bales on 12.7 million hectares area planted, unchanged from the previous forecast. A strong pace of new crop arrivals during the first four months of the MY indicates a much larger crop size than previous trade estimates. Farmers have been forced to sell under the government minimum support price (MSP) procurement system due to poor demand from the private sector. Post forecasts MY 2023/24 mill consumption to remain at 24 million 480 lb. bales, as low fiber and yarn prices spurn exports and lead to a marginal recovery in demand.

India, Commodity, Cotton - Production, Supply and Distribution

Cotton	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Aug 2021**		**Aug 2022**		**Aug 2023**	
India	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	12,372	12,372	12,927	12,927	12,700	12,700
Beginning Stocks 1000 480 lb. Bales	11,839	11,839	8,396	8,396	11,824	11,824
Production 1000 480 lb. Bales	24,300	24,300	26,300	26,300	25,000	26,000
Imports 1000 480 lb. Bales	1,000	1,000	1,727	1,727	1,300	1,000
Total Supply 1000 480 lb. Bales	37,139	37,139	36,423	36,423	38,124	38,824
Exports 1000 480 lb. Bales	3,743	3,743	1,099	1,099	1,600	2,000
Domestic Use 1000 480 lb. Bales	25,000	25,000	23,500	23,500	24,000	24,000
Loss 1000 480 lb. Bales	-	-	-	-	-	-
Domestic Use and Loss 1000 480 lb. Bales	25,000	25,000	23,500	23,500	23,700	24,000
Ending Stocks 1000 480 lb. Bales	8,396	8,396	11,824	11,824	12,824	12,824
Total Distribution 1000 480 lb. Bales	37,139	37,139	36,423	36,423	38,124	38,824
Stock to Use % (PERCENT)	29	29	48	48	51	49
Yield (KG/HA)	428	428	443	443	429	446
(1000 HA),1000 480 lb. Bales, (PERCENT), (KG/HA)						

Area and Production

FAS Mumbai forecasts MY 2023/24 cotton production at 26 million 480 lb. bales on 12.7 million hectares area planted, unchanged from the November 2023 report. Harvesting of the crop in north India is complete, while final picking has concluded in central and south India with 95 percent of the crop harvested. The pace of strong cotton arrivals during the first four months of India's MY commencing in October indicates a much larger crop size than industry estimates of between 23 million to 25 million 480 lb. bales. Inclement weather impacts were limited to the states of Punjab and Haryana, which experienced yield and quality losses. Trade sources indicate that Gujarat faced unseasonal rains that affected fiber quality (lint color and seed quality), and the damaged crop did not meet the minimum quality norms set by government agencies for procurement, resulting in farmers undertaking distress sales at below minimum support price (MSP) rates. However other larger cotton producing states in central and southern India, such as Maharashtra and Telangana, witnessed a significant percentage of harvested crop in good to very good condition, yet farmers were unable to sell to mills due to poor demand.

Post forecasts all India yield at 446 kilograms per hectare, while official government data of November 6 estimates 2023/24 yields at 429 kilograms per hectare.

Table 1: State Monthly Wholesale Prices for Seed Cotton, January 2024**

State	Prices January 2024**	Prices December 2023	Prices January 2023	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	6,999	8,047	-100.00%	-100.00%
Gujarat	6,665	6,847	8,297	-2.66%	-19.67%
Haryana	6,395	6,446	8,225	-0.79%	-22.25%
Karnataka	6,808	6,747	8,072	0.90%	-15.66%
Madhya Pradesh	-	6,842	7,310	-100.00%	-100.00%
Maharashtra	6,731	6,851	8,173	-1.75%	-17.64%
Odisha	6,913	6,993	7,669	-1.14%	-9.86%
Punjab	6,285	6,544	8,520	-3.96%	-26.23%
Rajasthan	6,156	6,335	8,565	-2.83%	-28.13%
Tamil Nadu	6,548	7,003	6,929	-6.50%	-5.50%
Telangana	6,829	6,867	7,992	-0.55%	-14.55%
Average	**6,592**	**6,770**	**7,982**	**-2.63%**	**-17.41%**

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, Government of India
Note: **Prices reported for the period from January 01-31, 2024 (India rupees/100 kilograms).

Table 2: State Seed Cotton Arrivals in Market Yards, January 2024 (metric tons)**

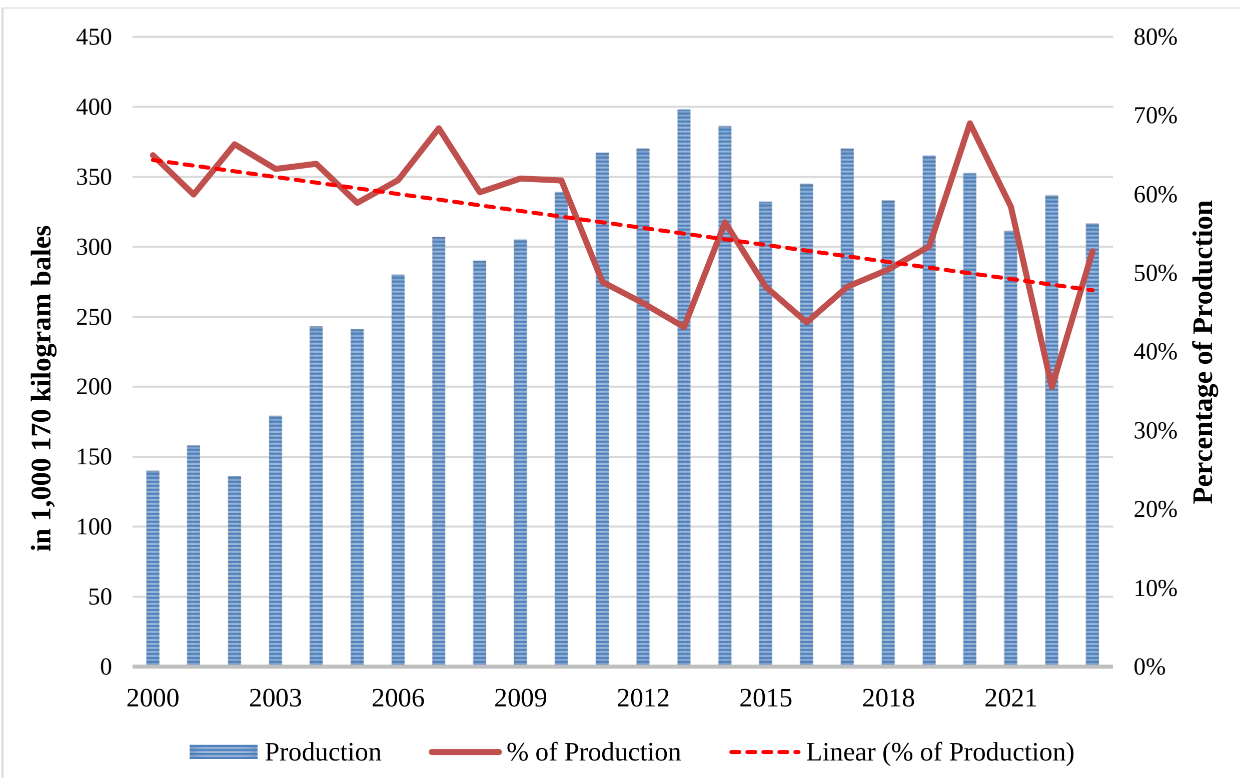
State	Market Arrivals January 2024	Market Arrivals January 2023	Change (Over Previous Year)
Andhra Pradesh	48,349	3,684	1212.26%
Gujarat	74,309	66,181	12.28%
Haryana	34,682	11,629	198.25%
Karnataka	11,299	12,098	-6.60%
Madhya Pradesh	94,575	241,619	-60.86%
Maharashtra	136,206	56,098	142.80%
Odisha	3,814	4,683	-18.56%
Punjab	8,022	4,863	64.96%
Rajasthan	65,579	76,675	-14.47%
Tamil Nadu	232	688	-66.23%
Telangana	134,421	175,536	-23.42%
TOTAL	**611,488**	**653,753**	**-6.47%**

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, Government of India
Note: ** Arrivals reported for the period from January 01-31, 2024.

Early Season Arrival Pace Slows Down in the New Year

According to the Cotton Corporation of India (CCI), MY 2023/24 crop arrivals as of January 31, are estimated at 1.34 million 480 lb. bales (1.72 million 170-kilogram bales/293,000 MT). Since October, the pace of all India cotton market arrivals is 46 percent faster as compared to last year. The higher pace is attributed to the fiber market prices falling below MSP rates due to poor mill demand and farmers resorting to distress sales. CCI has been active in the market and undertaking procurement under the MSP program. Trade estimates around 2.2 million 480-lb. bales (2.9 million 170-kilogram bales/482,000 MT) have been procured (approximately seven percent of estimated production) with 75 percent share from the state of Telangana which includes last year's crop as well. FAS analysis of historical arrivals (refer figure 1) indicates the pace of new cotton crop to the market has been gradually slowing as farmers hold stocks in anticipation of higher prices later in the season. But weak domestic mill demand may keep seed cotton prices under pressure as the pace of market arrivals accelerates across states in the remaining months.

Figure 1: Oct/Jan Cotton Arrivals as a Percentage of Production



Source: Cotton Corporation of India, Government of India

Consumption

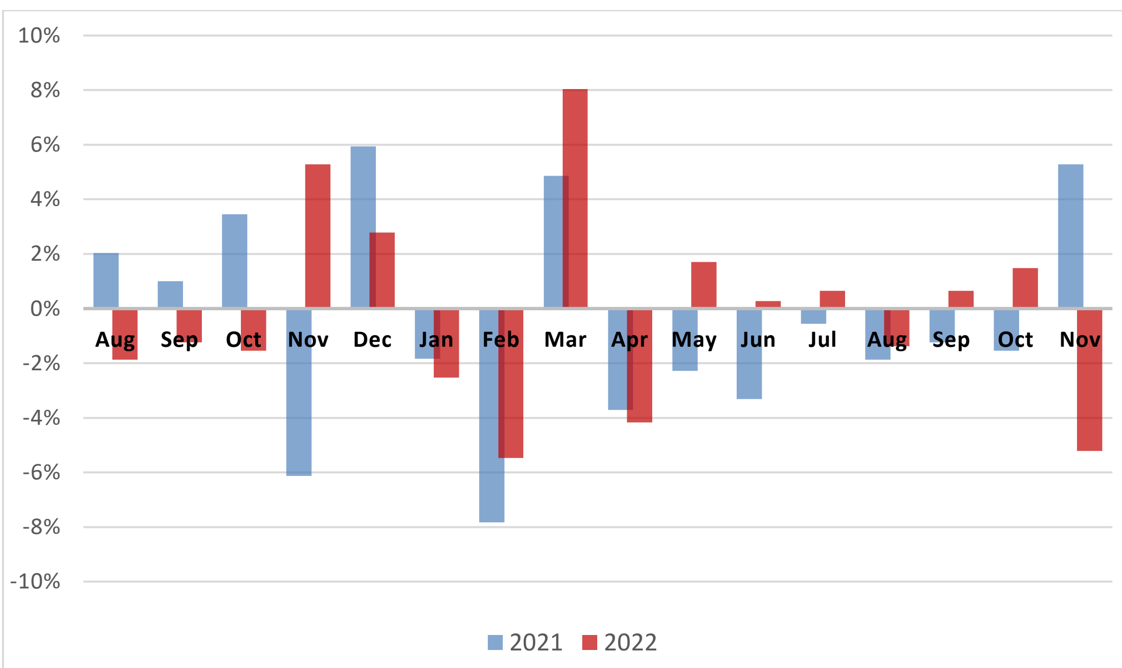
Post forecasts MY 2023/24 consumption at 24 million 480 lb. bales, unchanged from the previous estimate. The strong revival in exports of value-added cotton products, particularly cotton yarn during the first four months of MY 2023/24 indicates mill consumption recovery.

Since October 2023, Indian ex-gin prices and domestic cotton yarn prices have fallen by seven percent and nine percent respectively, as compared to the Cotlook A-Index which has fallen by three percent during the same period. Indian spot prices (Shankar-6) decreased by seven percent, from 94 cents per pound to 86 cents per pound. Currently, Indian prices are trading ten percent below the Cotlook A-Index making it very competitive, however mill demand remains sluggish so mill offtake is slow.

Supporting the consumption forecast is a projected rebound in exports of yarn and textile products. Year to date (Aug-Nov) exports of cotton yarn by volume are 200 percent higher than last year, and fabric exports are 14 percent higher than last year (refer figure 4 and figure 5).

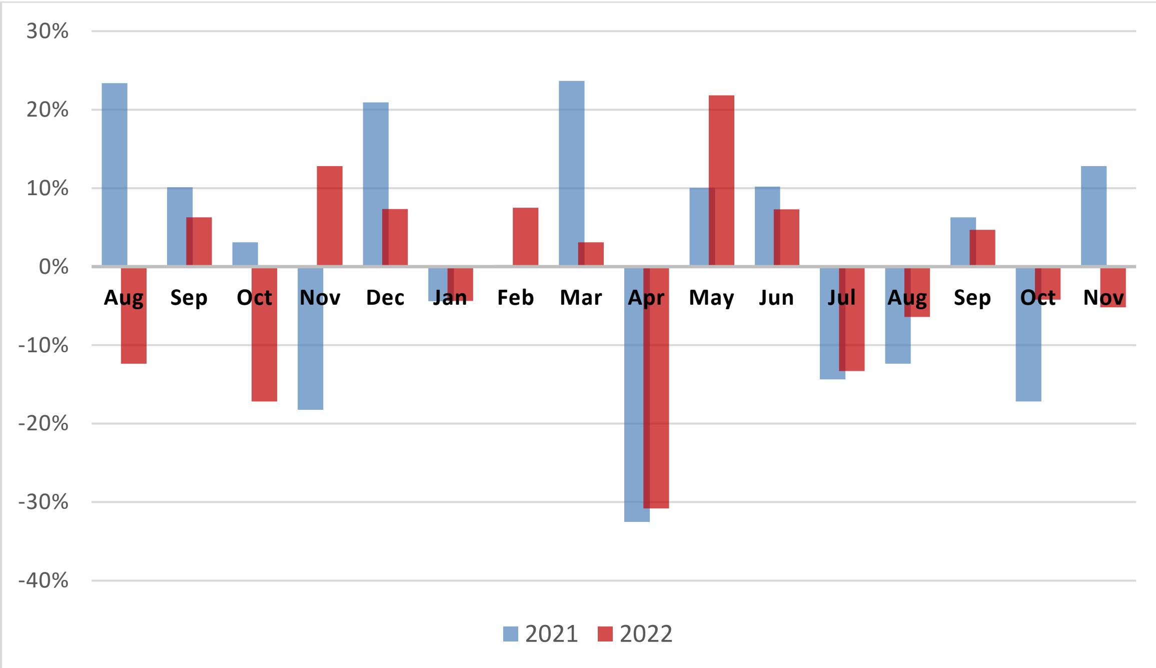
Poor downstream demand has plagued the textile industry, and apparel production indices registered the third and fourth largest percentage decline respectively in the past 36 months. The production of textiles and apparels fell by four percent and 21 percent respectively in November 2023 based on the [Index of Industrial Production - Quick Forecasts of IIP November 2023]) as compared to last year. Cumulatively (Apr-Nov) the production of textiles and apparels is still depressed and lagging by 0.3 percent and 20 percent respectively, and any rise in consumption will only lead to recovery or offsetting of sizeable output losses in MY 2022/23.

Figure 2: Monthly Percentage Change in Textile Manufacturing Index



Source: Ministry of Statistics and Program Implementation, Government of India

Figure 3: Monthly Percentage Change in Apparel Manufacturing Index



Source: Ministry of Statistics and Program Implementation, Government of India

Trade

Post forecasts MY 2023/24 cotton exports to remain at two million 480 lb. bales (2.5 million 170-kilogram bales/ 435,450 metric tons). MY 2023/24 (Aug-Dec) provisional estimates of raw cotton exports indicate levels are higher by more than 300 percent as compared to last year (refer figure 3a). Post expects the volume of exports to be higher as new crop arrivals gradually increase in the market pushing market prices lower. Major raw cotton export markets in December were Bangladesh (77 percent), China (eight percent), Vietnam (eight percent) and United Arab Emirates (three percent).

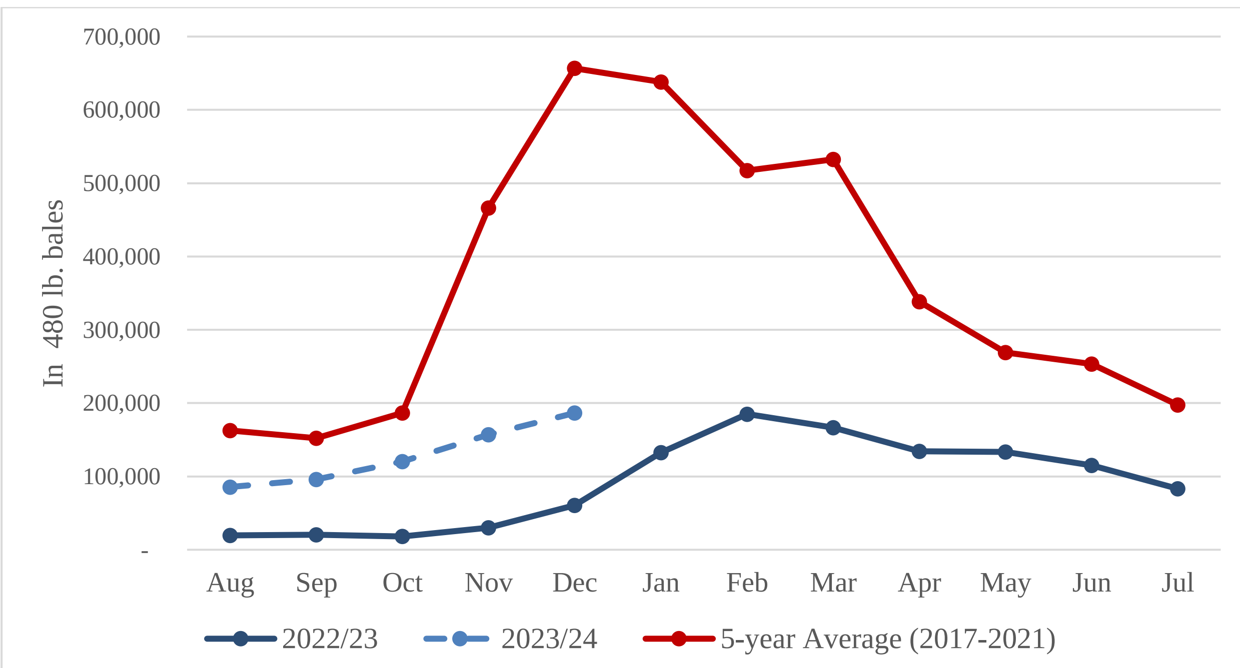
According to the December 2023 provisional trade data published by the Ministry of Commerce, exports of cotton yarn/fabric/made-ups and handloom products rose by nine percent (by value) as compared to last year, and cumulative exports between April 2023 and December 2023 rose by six percent on a year-on-year basis. Other value-added products continue to face sluggish demand. Exports of readymade garments of all textiles (by value) in December 2023 declined by 13 percent as compared to last year, and by 14 percent between April 2023 and December 2023 on a year-on-year basis.

Post forecasts MY 2023/24 cotton imports to remain at one million 480 lb. bales (1.3 million 170-kilogram bales/ 218,000 metric tons), as mills retain access to cheap domestic fiber supplies. Imports are mostly restricted to specialty cotton (extra-long staple, organic and certified) to fulfill export commitments. Provisional import data indicates the major suppliers of imported cotton were Egypt and United States (30 percent each), Turkey (11 percent), Australia (eight percent) and Greece (seven percent).

Policy

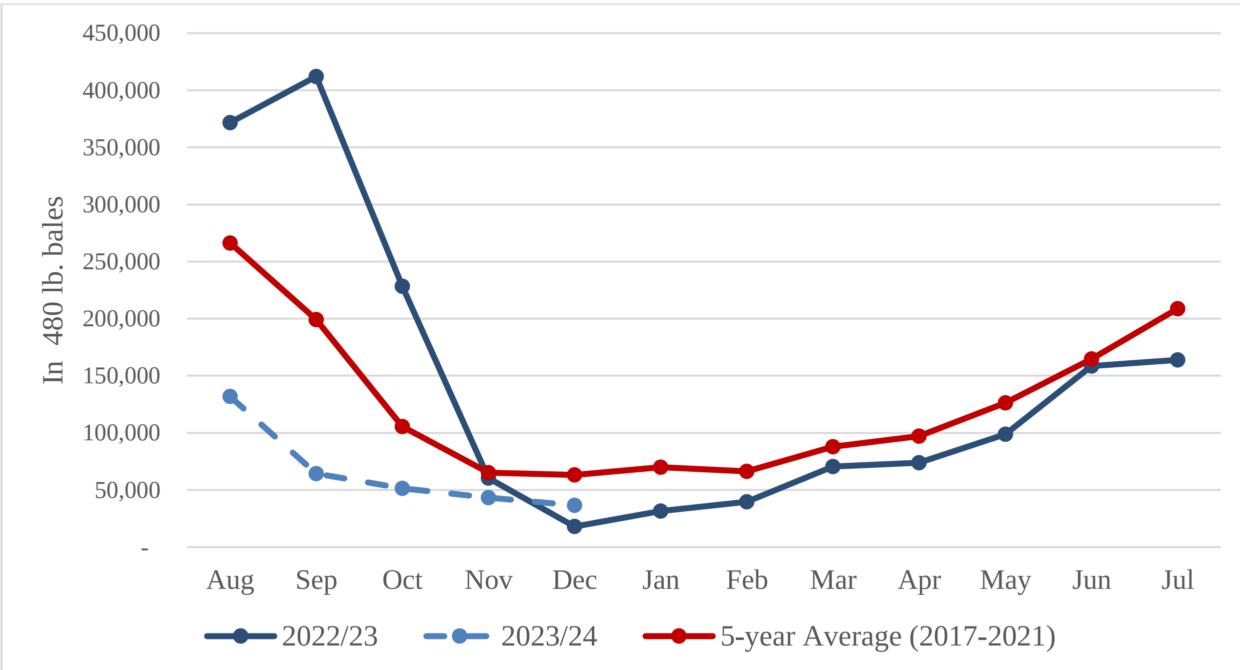
Textile Export Incentive Scheme Extended Till 2026
On February 1, the government approved the continuation of Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for export of apparel/garments and made-ups (fabrics, blankets, linens, curtains etc.) up to March 31, 2026. According to the press release, the two-year extension will ensure predictability and stability in textile policy regime, help remove the burden of taxes and levies and enhance export competitiveness of garments and home textiles. RoSCTL is a Ministry of Textile scheme for exports under Chapters 61, 62 and 63 of customs tariff. The scheme provides rebates to exporters for the state and central taxes and levies in addition to the duty drawback scheme on export of apparel/garments and made-ups.

Figure 3a: Cotton Exports by Month



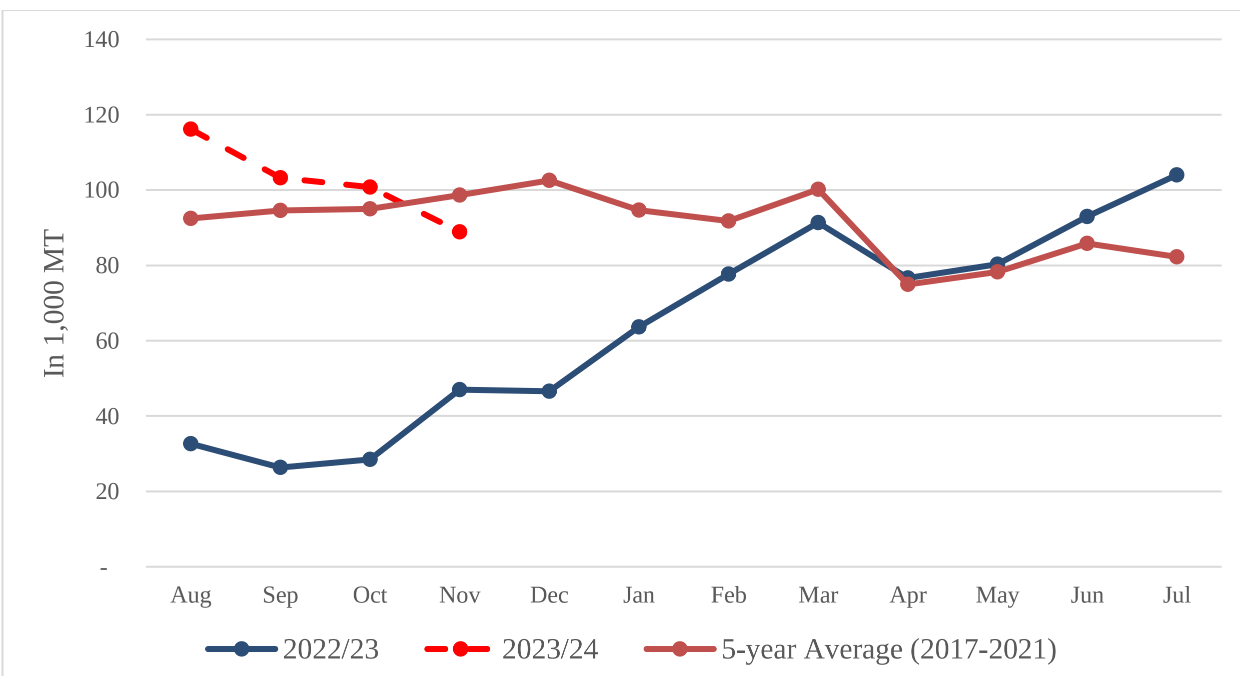
Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry

Figure 3b: Cotton Imports by Month



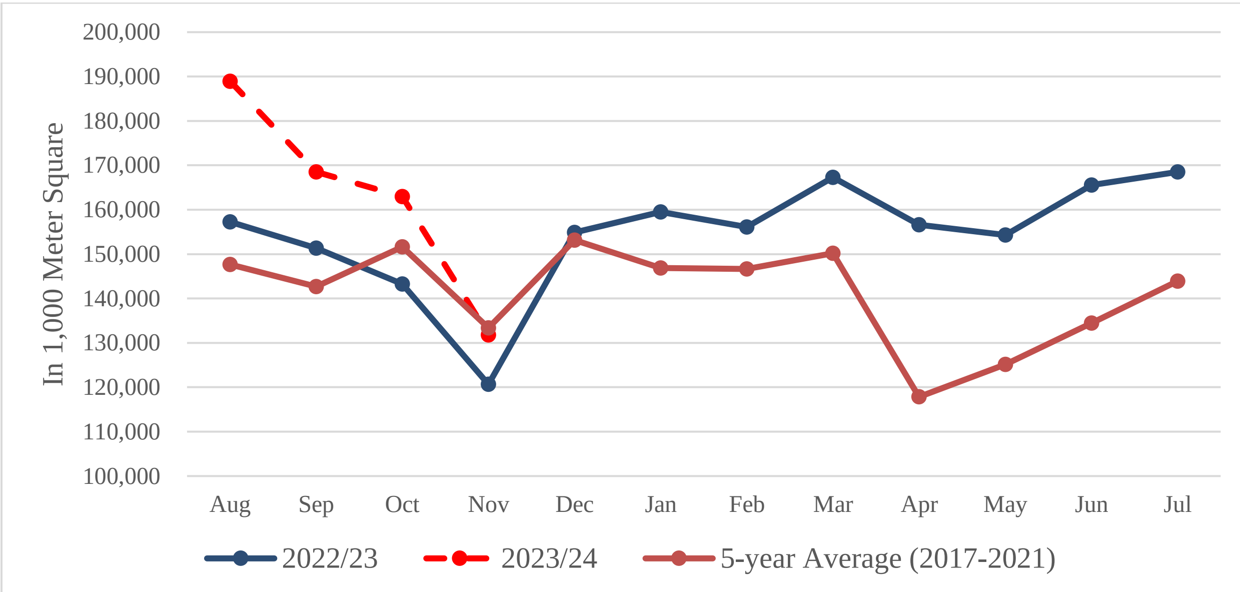
Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry

Figure 4: Cotton Yarn* Exports by Month



***HS code:** 5204, 5205 and 5207
Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 5: Cotton Fabric* Exports by Month



***HS code:** 5208 and 5209
Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry

Attachments:

No Attachments.