United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** July 10, 2023

Report Number: IN2023-0047

Report Name: Cotton and Products Update June 2023

Country: India

Post: Mumbai

Report Category: Cotton and Products

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Report Highlights:

FAS Mumbai estimates marketing year (MY) 2023/24 India cotton production at 26 million 480 lb. bales on 12.7 million hectares planted, a decrease from the previous year on the expectation that farmers will shift cotton acreage to higher return crops such as oilseeds and pulses. MY 2023/24 cotton sowing is 14 percent lower than last year, predominately in central and southern India due to delayed southwest monsoon rains. The Government of India has increased their MY 2022/23 production estimate to 26.8 million 480 lb. bales, validating that farmers have improved their storage and holding capacity as evident by significant volumes of market arrivals late in the season. However, the recent announcement of a 10 percent increase in the MY 2023/24 minimum support price for long staple cotton may prompt farmers to hold arrivals till new rates are effective from October onwards.

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)	12,370	12,370	13,000	13,000	12,400	12,700
Beginning Stocks 1000 480 lb. Bales	11,939	11,939	8,596	8,596	11,096	12,046
Production 1000 480 lb. Bales	24,400	24,400	25,000	26,400	25,500	26,000
Imports 1000 480 lb. Bales	1,000	1,000	1,750	1,800	1,500	1,000
Total Supply 1000 480 lb. Bales	37,339	37,339	35,346	36,796	38,096	39,046
Exports 1000 480 lb. Bales	3,743	3,743	1,250	1,250	2,400	2,400
Domestic Use 1000 480 lb. Bales	25,000	25,000	23,000	23,500	24,500	23,500
Loss 1000 480 lb. Bales	-	-	-	-	-	-
Domestic Use and Loss 1000 480 lb. Bales	25,000	25,000	23,000	23,500	24,500	23,500
Ending Stocks 1000 480 lb. Bales	8,596	8,596	11,096	12,046	11,196	13,146
Total Distribution 1000 480 lb. Bales	37,339	37,339	35,346	36,796	38,096	39,046
Stock to Use % (PERCENT)	30	30	46	49	42	51
Yield (KG/HA)	429	429	419	442	448	446
(1000 HA) ,1000 480 lb. Bales, (PERCENT), (KG/HA)						

Area

FAS Mumbai estimates MY 2023/24 cotton area at 12.7 million hectares. The delay in onset of the southwest monsoon rains by a week shortened the planting window for alternative crops, and cotton's relative drought tolerance make it an attractive option for farmers. India's Meteorological Department has forecasted a 36 percent probability of normal rains in the monsoon core zone (*represents most of the rainfed agriculture region*), and a 34 percent probability of below normal rains in core rainfed area.

Average farmgate seed cotton prices are 35 percent lower than last year (refer table 2). However, the recent announcement of a 10 percent increase in the MY 2023/24 minimum support price for long staple cotton will prompt farmers to shift to cotton as the MSP price is now one percent higher than the current farmgate price. According to the Ministry of Agriculture and Farmers Welfare's (MOAFW) sowing progress report of June 23, planted area has reached 2.8 million hectares, 14 percent lower than last year.

Table 1. *Kharif* 2023 Cotton Sowing Position (area in million hectares)

State	2023/24 as of June 23, 2023	2022/23 as of June 23, 2022	Change
Andhra Pradesh	0.031	0.033	-6%
Telangana	-	0.357	-100%
Gujarat	0.690	0.589	17%
Haryana	0.640	0.651	-2%
Karnataka	0.128	0.199	-36%
Madhya Pradesh	0.306	0.165	85%
Maharashtra	0.132	0.453	-71%
Odisha	-	0.001	-100%
Punjab	0.170	0.249	-32%
Rajasthan	0.682	0.538	27%
Tamil Nadu	0.007	0.007	3%
Others	0.017	0.026	-33%
All India	**2.802**	**3.267**	**-14%**

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

North India – A Tale of Two States

MY 2023/24 planted area in north India is estimated up four percent, as the northern zone is witnessing a major shift. Rajasthan has emerged as a major cotton growing state, with a 27 percent increase from last year. Alternatively, the state of Punjab has lost almost 32 percent area from last year, the second lowest on record. MY 2023/24 cotton sowing in Punjab is complete with an estimated 170,000 hectares. Late rains delayed the wheat harvest which shortened the planting window for cotton by two weeks. However, late rains are expected to provide adequate moisture and improved yields.

Nearly a decade ago, cotton area in Punjab was nearly 446,000 hectares, approximately 60 percent higher than the latest MY 2023/24 planting estimate. The state continues to be affected by groundwater depletion, declining soil productivity, and the rice (paddy)-wheat cropping system.

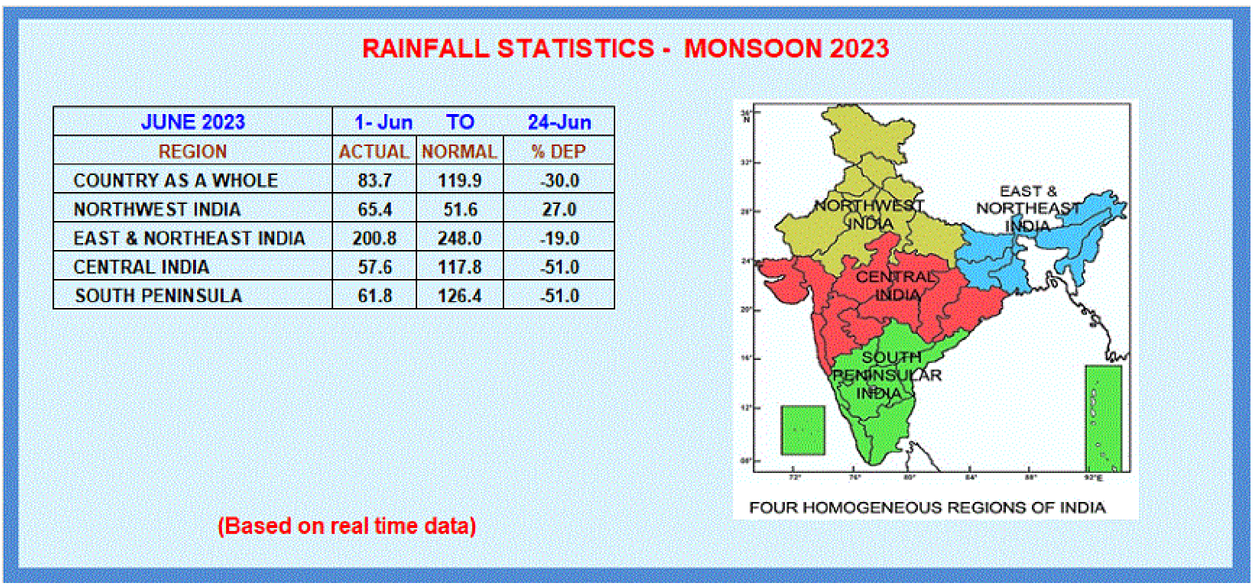
Sowing in Haryana is underway, and the government has issued advisories to farmers to not allow the cotton crop to suffer from water stress during the flowering and fruiting stages. Area is estimated around 640,000 hectares, two percent lower than last year. Like Punjab, late rains damaged the cotton crop in Haryana last year and farmers were unable to get remunerative prices. Cotton quality over the past two seasons has been below expectation, especially the staple length which has been below 27 millimeters (mm).

Planted area in Rajasthan has increased by 27 percent from last year to 682,000 hectares, particularly in lower regions where several new areas have emerged due state government subsidies to promote investment, including new ginning and pressing factories. Better available water storage facilities, minimal pest infestation, lower labor costs, and high-quality fiber make it a beneficial option for all stakeholders. For MY 2022/23, trade estimates that interstate movement of seed cotton from Punjab and Haryana to Rajasthan is equivalent to 500,000 170-kilogram bales, as mills were offering higher prices in the region.

Central India
In Maharashtra, farmers have been advised to withhold sowing until there is sufficient soil moisture. Meanwhile, they can continue preparatory tillage operations. Sowing is underway in Gujarat and Madhya Pradesh. In Gujarat, farmers have been advised to go for early sowing from end of May till June if irrigation facilities are available. In case of rainfed area, sowing should be undertaken after sufficient rainfall received through July. Farmers have been encouraged to adopt inter cropping with sesame, groundnut, soybean, pulses, and maize for risk management under rainfed and partial irrigation conditions.

Southern India
In Telangana, farmers have been advised to begin sowing of rainfed crops like cotton, soybean, maize, sorghum, red gram, and green gram only after receiving cumulative rainfall of 50-60 mm in light soils, and 60-75 mm in heavy soils, or the top 15-20 centimeter (cm) after the start of monsoon rains. Government advisories indicate a planting window through July 15 without any concern of yield reductions, and that cotton should be intercropped with red gram or green gram. In north Karnataka, farmers have been advised to begin sowing of cotton after receipt of sufficient rainfall.

Figure 1. Rainfall Statistics on Southwest Monsoon 2023



Source: Indian Meteorological Department

Production
FAS Mumbai estimates MY 2023/24 cotton production at 26 million 480 lb. bales (33.3 million 170-kilogram bales/5.6 million metric tons). Post has revised a previous estimate upward by 500,000 480 lb. bales to reflect a higher area estimate. However, all India yield estimates are marginally lower (less than one percent) at 446 kilograms per hectare.

On March 23, the government notified a 17 percent increase in BG-II (version of Bacillus thuringiensis (Bt.) cotton hybrid) seed prices from last year in the Cotton Seed Price (Control) Order 2015. In addition, rising costs of other inputs, especially labor, is impacting overall management practices adopted by farmers (fewer rounds of irrigation, sprays, and fertilizer and insecticide/pesticide applications) and leading to a decline in yields.

Cotton producers in Gujarat are likely to continue using unapproved hybrids for its higher yields and minimal incidence of pink bollworm (PBW) infestation. Consequently, the quality of harvested cotton was much higher than the previous two seasons. Early maturing short duration hybrid cotton was harvested before the onset of PBW leading to lower costs of cultivation for the farmer. Similar widespread adoption is expected in other cotton growing states in central India.

Government Raises MY 2022/23 Production Estimate

On May 25, the third advance estimates of production of principal crops for MY 2022/23 was published by the MOAFW. Cotton production was raised by two percent from the first estimate to 26.8 million 480-lb. bales (34.35 million 170-kilogram bales/6.2 million metric tons), three percent higher than the three and five-year average. On June 1, the Committee on Cotton Production and Consumption (COCPC) also revised the MY 2022/23 production estimate and adopted the revised production estimate of 26.8 million 480-lb bales.

For more details, please refer the links below.
Area Production and Yield as of June 1, 2023
Cotton Balance Sheet as of June 1, 2023

MY 2022 Arrivals to Continue Through September

According to the Cotton Corporation of India (CCI), MY 2022/23 crop arrivals as of June 19, are estimated at 23.1 million 480 lb. bales (29.62 million 170-kilogram bales/5 MMT). Current crop arrivals represent 86 percent of the total estimated production for MY 2022/23.

However, the pace of arrivals between March and May at 9.2 million 480 lb. bales (11.8 million 170-kilogram bales) were the second highest on record. Market yard arrivals in June are also outpacing the same period from last year (refer table 3). Trade sources indicate that farmers are limiting the delivery of seed cotton and holding harvested crop in anticipation of new MSP rates that will be effective as of October 1. Farmers have signaled that they will continue to hold cotton with expectation of high prices. They will bring in cotton to market yards only when they have requirement for additional funds (to purchase inputs or other use).

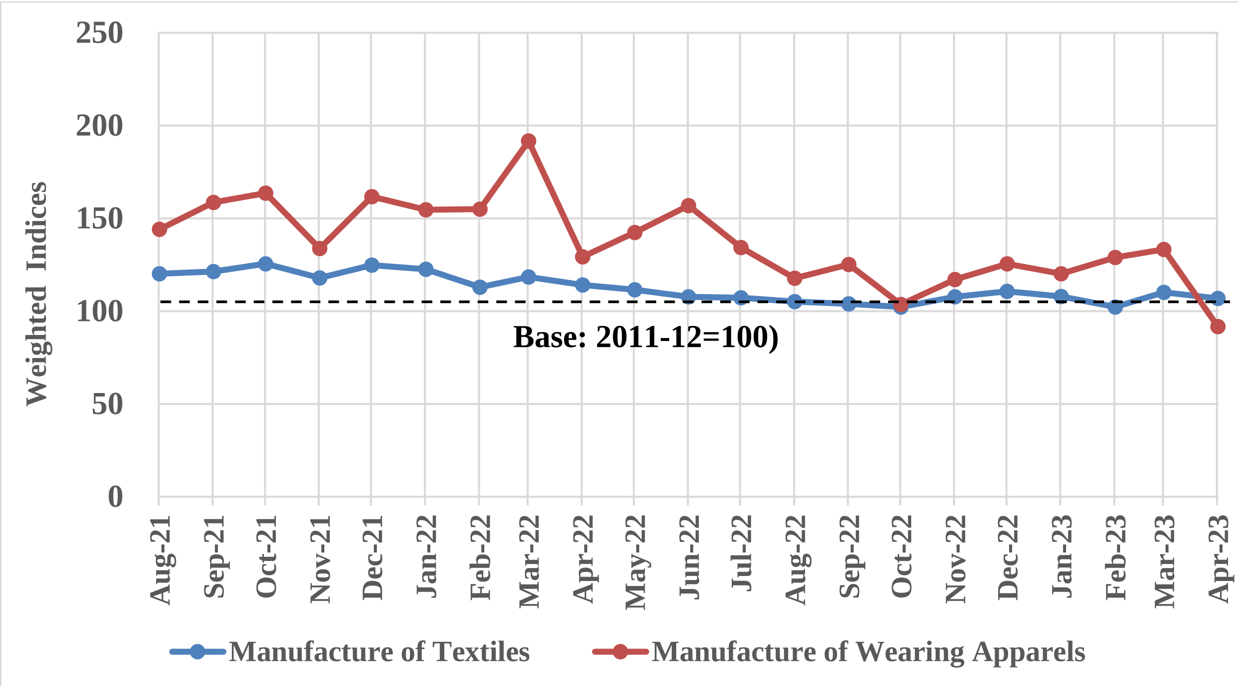
Early June market arrivals at market yard in Gondal District, Gujarat, Source: FAS Mumbai

Consumption

Post estimates MY 2023/24 consumption at 23.5 million 480-lb. bales, a marginal recovery from last year. Mill operations have been hampered by a slowdown in global textile demand, and consumption has weakened due to a lack of demand recovery from the downstream industry. Trade sources indicate there is a selling pressure among the value chain to offload existing cotton and yarn inventories. As of June 22, the Cotlook A-Index has fallen by ten percent since October 2022 (the beginning of the India's marketing year), while Indian ex-gin prices and domestic cotton yarn prices fell by 18 percent and 15 percent, respectively, during the same period. Currently, India prices are the cheapest in the Cotlook A-Index. Trade sources indicate that most large mills have stock coverage until the end of September, while smaller to medium sized mills are covered between 45-60 days on average.

In April the textile sector experienced a six percent decrease in production volume as compared to the same period last year (based on the Index of Industrial Production - Quick Estimates of IIP April 2023). Similarly, apparel manufacturing witnessed a decline of 29 percent as compared to its output last year. Cumulatively (April 2022-March 2023), the production of textiles and apparels have both decreased by nine percent and seven percent, respectively, as compared to same period last year.

Figure 2: Monthly Index of Industrial Production (IIP), Aug 2021-Apr 2023



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

Trade

Post forecasts MY 2023/24 cotton exports at 2.4 million 480-lb. bales (3 million 170-kilogram bales/ 522,000 metric tons). Higher carryover stocks will leave India with an exportable surplus, but with limited buyers. India ex-gin prices are currently lower than the Cotlook A-Index. Sluggish domestic mill demand has led to a decline in cotton yarn prices which are almost 15 percent lower since October 2022, and 31 percent lower since August 2022.

According to the May 2023 provisional trade data published by the Ministry of Commerce, exports of cotton yarn/fabric/made-ups and handloom products (by value) decreased by 12 percent (by value) as compared to last year. Cumulatively, exports between April 2023 and May 2023 also declined by 18 percent on a year-over-year basis. Exports of readymade garments of all textiles (by value) in May 2023 also declined by 13 percent as compared to last year, and by 18 percent between April 2023 and May 2023 on a year-over-year basis.

Post estimates MY 2023/24 cotton imports at one million 480-lb. bales (1.3 million 170-kilogram bales/ 218,000 metric tons). Since an 11 percent import duty (five percent basic customs duty, five percent Agriculture Infrastructure and Development Cess, and one percent social welfare charge) was imposed in 2021, the share of imported cotton has gradually reduced by value, but volumes have remained steady. The weakening of the Indian rupee has made imported cotton expensive, and mills are importing cotton only as per their export commitments. With no change in removal of import tariffs, shipments will remain limited.

Policy

MY 2023/24 Minimum Support Price Hiked Again

On June 9, the Cabinet Committee on Economic Affairs approved an increase in the Minimum Support Prices (MSPs) for all mandated *Kharif* crops for marketing season 2023/24. The MSP for medium staple cotton has been fixed at 37 cents per pound (INR 6,620 per 100 kilograms), compared to an MSP of 34 cents per pound (INR 6,080 per 100 kilograms) for the corresponding period last year. Similarly, the MSP for long staple cotton has been increased from 35 cents per pound (INR 6,380) to 39 cents per pound (INR 7,020 per 100 kilograms). The MSP increase for medium staple cotton is around 8.9 percent, and approximately 10 percent for long staple cotton. The MSP percentage increase for long staple cotton is marginally lower than moong (green gram) and sesamum. With cotton yields expected to improve and mill demand remaining weak, trade anticipates government agencies to undertake MSP operations in the latter part of 2023/24 season. For more details on MSP, please refer to Union Cabinet approves Minimum Support Prices (MSP) for Kharif Crops for Marketing Season 2023-24.

Table 2: State Monthly Wholesale Prices for Seed Cotton, June 2023**

State	Prices June 2023**	Prices May 2023	Prices June 2022	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	7,043	7,147	11,146	-1.46%	-36.81%
Gujarat	7,235	7,292	11,227	-0.78%	-35.56%
Haryana	6,929	7,348	11,078	-5.70%	-37.45%
Karnataka	7,178	7,278	10,397	-1.37%	-30.96%
Madhya Pradesh	7,071	7,228	10,223	-2.17%	-30.83%
Maharashtra	7,158	7,285	10,442	-1.74%	-31.45%
Punjab	6,771	2,125	-	218.64%	-
Rajasthan	7,347	7,650	11,905	-3.96%	-38.29%
Tamil Nadu	6,146	6,500	9,013	-5.45%	-31.81%
Telangana	6,741	7,153	10,311	-5.76%	-34.62%
AVERAGE	**6,962**	**6,701**	**10,638**	**3.90%**	**-34.56%**

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, Government of India
Note: **Prices reported for the period from June 01-23, 2023 (India rupees/100 kilograms).

Table 3: State Seed Cotton Arrivals in Market Yards, June 2023 (metric tons)**

State	Market Arrivals June 2023	Market Arrivals June 2022	Change (Over Previous Year)
Andhra Pradesh	15,602	299	5114%
Gujarat	15,638	4,401	255%
Haryana	7,053	1,215	480%
Karnataka	2,654	570	366%
Madhya Pradesh	16,838	490	3338%
Maharashtra	56,876	43	132170%
Odisha	13	-	-
Punjab	974	602	62%
Rajasthan	568	1,110	-49%
Tamil Nadu	4,591	2,685	71%
Telangana	120,806	11,416	958%
TOTAL	**15,602**	**299**	**5114%**

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, Government of India
Note: ** Arrivals reported for the period from June 01-23, 2023

Table 4a: Cotton Exports by Month
(Figures in 480-lb. Bales)

Month/Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Aug	67,667	149,979	60,929	265,264	269,321	19,433
Sep	61,279	75,251	58,557	350,289	215,376	20,544
Oct	55,260	178,496	89,804	413,196	196,472	18,101
Nov	441,035	510,352	267,334	611,030	501,255	29,873
Dec	806,272	703,660	472,078	555,687	745,925	60,393
Jan	729,338	538,640	739,317	604,217	578,925	132,599
Feb	648,821	427,040	442,685	640,625	427,104	185,129
Mar	692,948	549,149	281,914	838,634	299,994	166,720
Apr	642,815	166,511	26,385	616,890	240,593	134,197
May	444,963	107,904	123,374	536,086	133,118	
Jun	390,080	48,898	298,085	443,132	86,940	
Jul	219,316	65,238	341,103	313,649	48,405	
TOTAL	**5,199,793**	**3,521,118**	**3,201,563**	**6,188,700**	**3,743,428**	**766,989**

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

Table 4b: Cotton Imports by Month
(480-lb. Bales)

Month/Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Aug	342,309	119,657	761,216	47,381	61,194	371,667
Sep	325,246	104,792	424,648	69,024	72,436	412,072
Oct	66,841	68,161	281,301	48,466	63,301	228,399
Nov	36,511	44,533	173,402	33,148	37,825	60,301
Dec	46,696	46,319	97,353	59,683	65,766	17,958
Jan	56,363	67,528	77,553	105,435	42,430	31,434
Feb	77,416	66,583	75,050	64,011	48,924	39,651
Mar	92,276	118,008	87,491	73,875	67,131	70,548
Apr	165,789	138,472	67,712	59,672	53,885	73,947
May	154,902	192,607	89,580	87,479	106,368	
Jun	169,524	318,896	83,758	105,806	145,519	
Jul	142,770	514,499	60,886	89,737	235,486	
TOTAL	**1,676,643**	**1,800,056**	**2,279,949**	**843,717**	**1,000,265**	**1,305,977**

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

Table 5: Cotton Yarn* Exports by Month
(Thousand metric tons)

Month/Year	2017-18	2018/19	2019/20	2020/21	2021/22	2022/23
Aug	79	108	67	92	116	33
Sep	99	98	66	93	117	26
Oct	98	97	78	86	117	28
Nov	111	95	89	87	111	47
Dec	116	92	91	91	123	47
Jan	87	91	102	82	111	64
Feb	95	100	91	82	91	78
Mar	118	117	73	98	95	91
Apr	106	89	18	89	73	77
May	109	76	58	101	47	
Jun	117	58	96	119	38	
Jul	101	59	101	115	35	
TOTAL	**1,236**	**1,080**	**929**	**1,135**	**1,076**	

*HS code: 5204, 5205 and 5207
** Provisional estimate, Directorate General of Commercial Intelligence and Statistics, Ministry of Commerce, and Industry
Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 6: Cotton Fabric* Exports by Month
(Thousand square meters)

Month/Year	2017-18	2018-19	2019/20	2020/21	2021/22	2022/23
Aug	107,497	147,673	150,882	147,156	185,041	157,292
Sep	123,688	126,498	139,365	155,853	167,888	151,313
Oct	109,769	142,260	146,139	160,755	199,174	143,261
Nov	118,256	119,215	126,143	144,515	158,629	120,659
Dec	132,635	132,049	142,892	163,571	194,641	154,881
Jan	125,493	136,899	140,226	152,862	178,802	159,491
Feb	113,399	135,495	148,992	146,373	188,930	156,088
Mar	133,927	162,676	121,661	155,698	177,113	167,126
Apr	114,876	126,031	21,311	167,624	159,373	156,637
May	119,821	141,129	69,666	139,329	155,910	
Jun	122,381	131,507	127,850	151,776	138,906	
Jul	113,614	140,699	154,192	176,276	134,517	
TOTAL	**1,435,355**	**1,642,132**	**1,489,320**	**1,861,788**	**2,038,925**	

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

Attachments:

No Attachments.