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Report Name: Cotton and Products Update – First Update 2022/2023

Country: India

Post: New Delhi

Report Category: Cotton and Products

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Report Highlights:

FAS Mumbai (Post) forecasts marketing year (MY) 2022/23 cotton production at 27.7 million 480 lb. bales on an area of 12.8 million hectares. The current sowing progress indicates that farmers are preferring to plant higher cotton area due to prevailing high market prices. Indian yields are expected to improve by three percent due to above normal rains in major cotton growing regions. Indian cotton lint prices are 15 percent higher than Cotlook A-Index prompting mills to import and limit domestic buying. Mill consumption is estimated at 26.5 million 480 lb. bales as new crop arrivals improves availability and lowers fiber prices. Depreciating Indian rupee will support higher raw cotton and textile export prospects, but limit imports to only extra-long staple cotton.

COMMODITY:

COTTON

Table 1: India, Commodity, Cotton - Production, Supply, and Distribution (PSD)

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	-	-	-	-	-	-
Area Harvested (1000 HA) (a)	13,286	13,286	12,150	12,150	13,200	12,800
Beginning Stocks 1000 480 lb. Bales	15,684	15,684	11,939	11,939	8,539	8,639
Production 1000 480 lb. Bales	27,600	27,600	24,500	25,500	27,500	27,700
Imports 1000 480 lb. Bales	844	844	1,000	1,000	1,500	1,100
MY Imports from U.S. 1000 480 lb. Bales	-	-	-	-	-	-
Total Supply 1000 480 lb. Bales	**44,128**	**44,128**	**37,439**	**38,339**	**37,539**	**37,339**
Exports 1000 480 lb. Bales	6,189	6,189	3,900	3,800	3,700	4,000
Use 1000 480 lb. Bales	26,000	26,000	25,000	26,000	25,000	26,500
Loss 1000 480 lb. Bales	-	-	-	-	-	-
Total Dom. Cons. 1000 480 lb. Bales	26,000	26,000	25,000	26,000	25,000	26,500
Ending Stocks 1000 480 lb. Bales	11,939	11,939	8,539	8,639	8,839	6,939
Total Distribution 1000 480 lb. Bales	**44,128**	**44,128**	**37,439**	**38,339**	**37,539**	**37,339**
Stock to Use % (PERCENT) (b)	37	37	30	29	31	22
Yield (KG/HA) (c)	452	452	439	457	454	471
Figures in Thousand 480-lb bales, except where indicated: (a) thousand hectares, (b) percent, (c) kilograms/hectares						

PRODUCTION

FAS Mumbai (Post) estimates India's cotton production at 27.7 million 480-lb bales (35.4 million 170-kilogram bales - 6 million metric tons - MMT) for marketing year (MY) 2022/2023 (August-July), on an estimated harvested area of 12.8 million hectares. Post's area estimate is 400,000 hectares lower than the U.S. Department of Agriculture's (USDA) official estimate, while Post's production estimate is 200,000 bales higher than the USDA official estimate.

According to the Ministry of Agriculture and Farmers Welfare's (MOAFW) August 26, 2022 report, the overall cotton planting for the *Kharif* 2022 season reached 12.46 million hectares, seven percent higher than last year, and three percent higher than the five-year average. Planting has now largely concluded in major parts of the country, there is some additional re-sowing and late planting still being expected. Above normal rains across the country ensured adequate groundwater supply. Greater farmer awareness regarding crop protection measures will likely ensure that that crop yields will be higher than last year. Post estimates all India yields to be around 471 kilograms per hectare, four percent higher than the USDA official estimate.

Northern India: Post field crop travel to the northern India states of Punjab, Haryana, and Rajasthan observed that farmers in Rajasthan have planted higher acreage (four percent more than last year) swayed by current high raw cotton prices. However, despite high prices, farmers in Punjab (plantings are three percent lower area than last year) and Haryana (plantings are five percent lower area than last year) were cautious in increasing cotton area due to major crop losses last year from pink bollworm infestation. The farmers have opted to plant a higher area with rice paddy as the local state governments

released greater volumes of water from dams. While cotton demand from local mills remains high, declining cotton yields is a major concern. Trade sources indicate that Indian government should consider introducing new seed technology to boost cotton crop yields.

Central India: Post field crop travel to the major cotton growing districts of Nagpur, Wardha, Yavatmal, and Amravati in Eastern Maharashtra in July evidenced higher cotton planting area in the region. Based on field visits, and farmer discussions, area under cotton has increased from last year due to prevailing high market prices, and high returns from last season. However, the excessive rains in July saturated the soils, and cloudy conditions were impacting the development of young cotton plants. Plant growth and development has remained slow and will likely be delayed as saturated soils inhibit nutrient uptake.

Farmers indicated the planting window for soybeans is now over, so cotton is being intercropped with pigeon pea. Farmers may uproot their cotton plants by December (after two pickings) to shift planting to legumes such as green and black gram as these are able to avoid pest infestation in cotton. They also aim to take advantage of high legume prices and lower cost of production. Planted area in Maharashtra has increased by seven percent from last year. Similarly, planted area in Gujarat has increased by 13 percent from last year. Farmers have shifted area from oilseeds (e.g., groundnut and soybeans) to pulses (e.g., pigeon pea, black gram, and mung bean).

Southern India: Post field crop travel to the Indian state of Telangana included visits to the major cotton growing districts of Nalgonda, Khammam, Warangal, and Adilabad. Based on the field visits, along with discussions with farmers and traders, area under cotton production has increased in the districts of Warangal, Khammam and Adilabad thanks to high market prices obtained last season prompting farmers to plant higher area. Other major crops being planted include rice (paddy) and corn (maize).

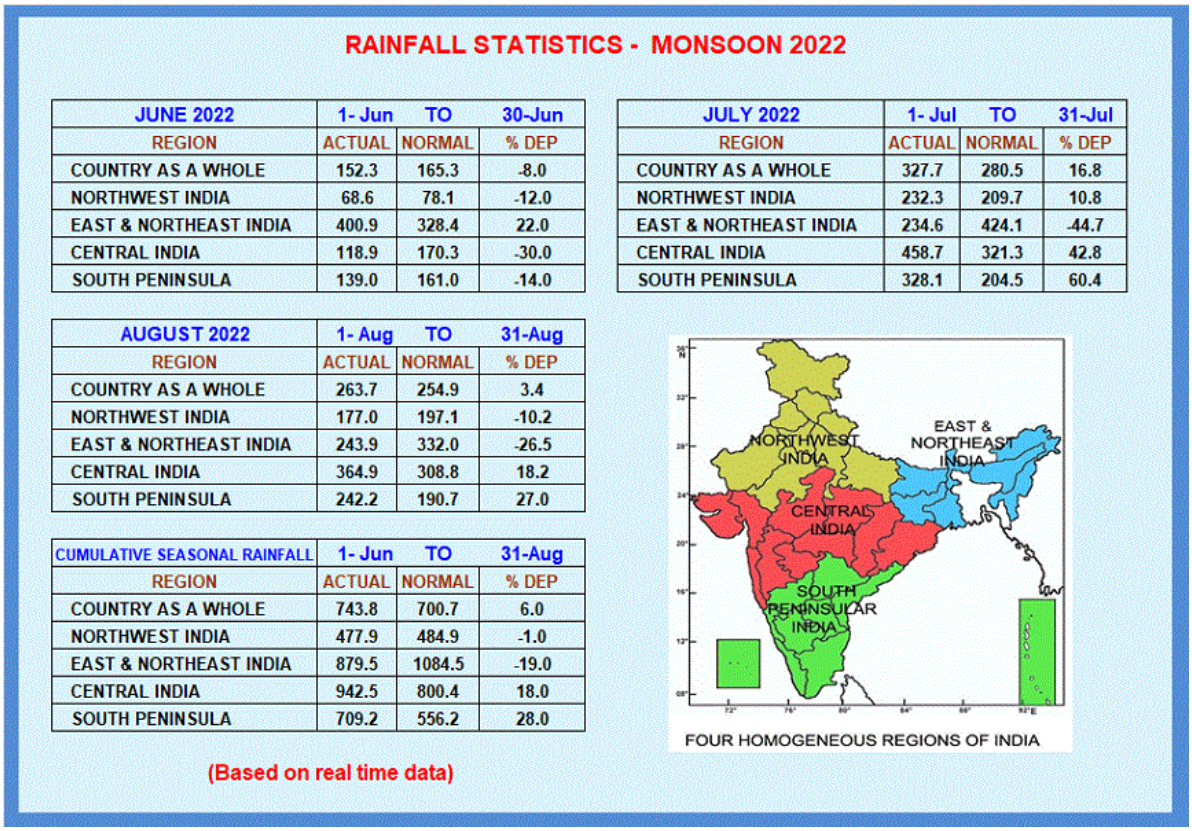
The Telangana received excess rains (i.e., 51 percent above the normal average) since the beginning of 2022 southwest monsoon. Inordinate rainfall volume during the first two weeks of July delayed planting by 15-20 days. Farmers that had planted early sown cotton had to replant due to damage from excessive rains. According to the Indian Meteorological Department (IMD), 28 of 33 districts across Telangana received significantly heavy rains during the southwest monsoon.

The cotton crop is in flowering stage with overall condition looking good with adequate moisture and ground water levels. However, any further rainfall will negatively impact the crop yields. Farmers expect to harvest the crop by December, and plant corn as the fear of pink bollworm infestation in cotton prompts farmers to be cautious and avoid any losses. With the expectation of obtaining higher prices, the pace of arrivals will likely be slow as farmers will aim to hold onto the crop for as long as possible to pry out better prices. In Karnataka, the planted area has increased by 28 percent as farmers replaced crops like groundnut, pulses (e.g., black gram and mung bean) and coarse cereals (e.g., finger millet and pearl millet) in expectation of higher returns from cotton.

Table 2. India, Kharif 2022 Cotton Sowing Position (Hectares)

State	2022/2023 (August 26, 2022)	2021/2022 (August 26, 2021)	Normal Area as on date	Y-on-Y Change	Change from Normal
Andhra Pradesh	0.572	0.446	0.522	28%	10%
Telangana	1.957	2.034	1.957	-4%	0%
Gujarat	2.539	2.251	2.498	13%	2%
Haryana	0.651	0.688	0.689	-5%	-6%
Karnataka	0.780	0.611	0.535	28%	46%
Madhya Pradesh	0.599	0.600	0.628	0%	-5%
Maharashtra	4.199	3.936	4.161	7%	1%
Odisha	0.216	0.195	0.168	11%	29%
Punjab	0.248	0.255	0.288	-3%	-14%
Rajasthan	0.653	0.628	0.594	4%	10%
Tamil Nadu	0.017	0.010	0.013	70%	31%
Others	0.026	0.037	0.026	-30%	0%
All India	**12.457**	**11.691**	**12.079**	7%	3%

Note: (**) Normal Area is the five-year average during 2017 through 2021.
Source: Ministry of Agriculture and Farmers Welfare.



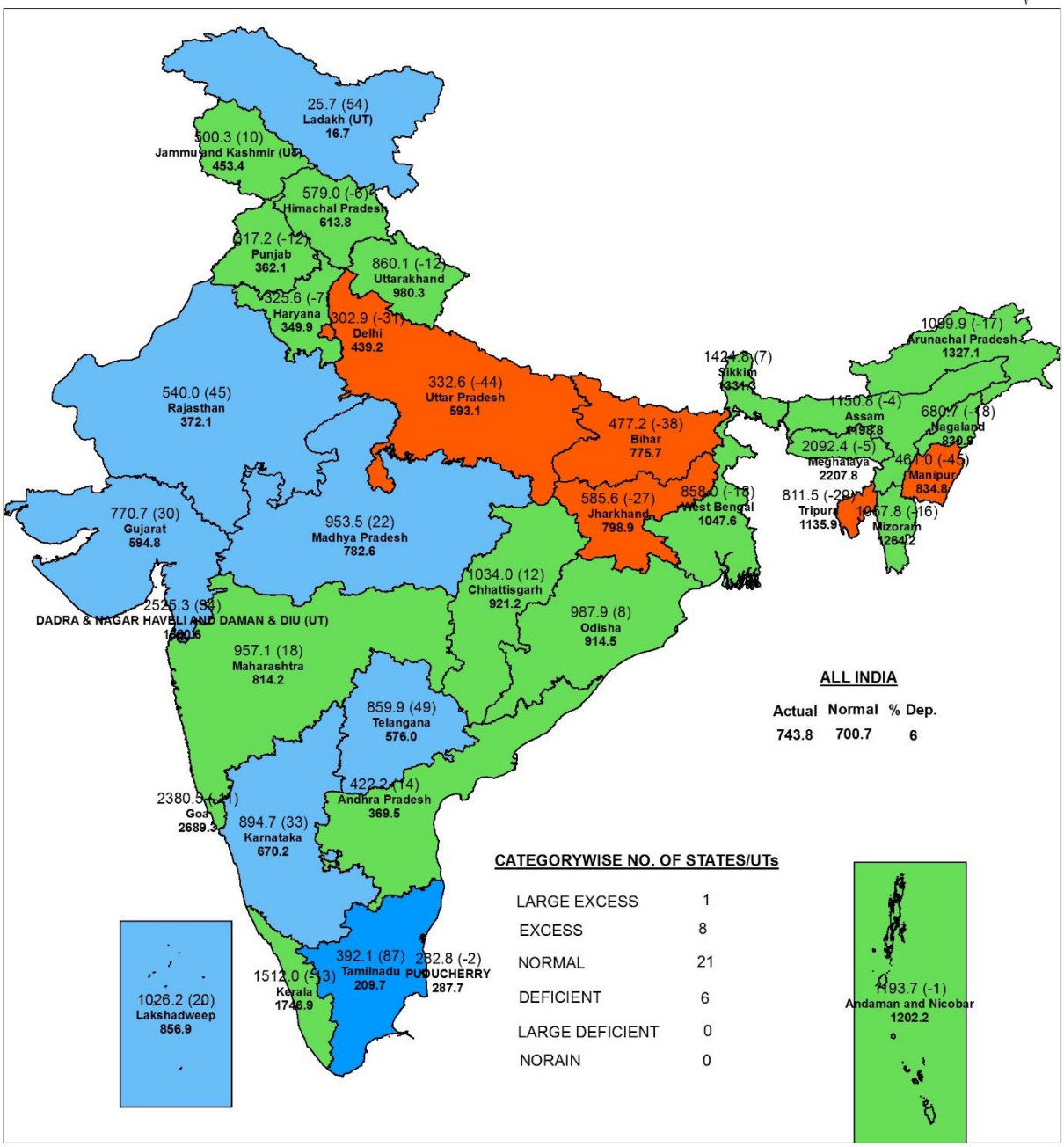
Source: Indian Meteorological Department, Ministry of Earth Sciences.

भारत मौसम विज्ञान विभाग
INDIA METEOROLOGICAL DEPARTMENT

जल मौसम विज्ञान प्रभाग, नई दिल्ली
HYDROMET DIVISION, NEW DELHI

STATE RAINFALL MAP

Period : 01-06-2022 To 31-08-2022



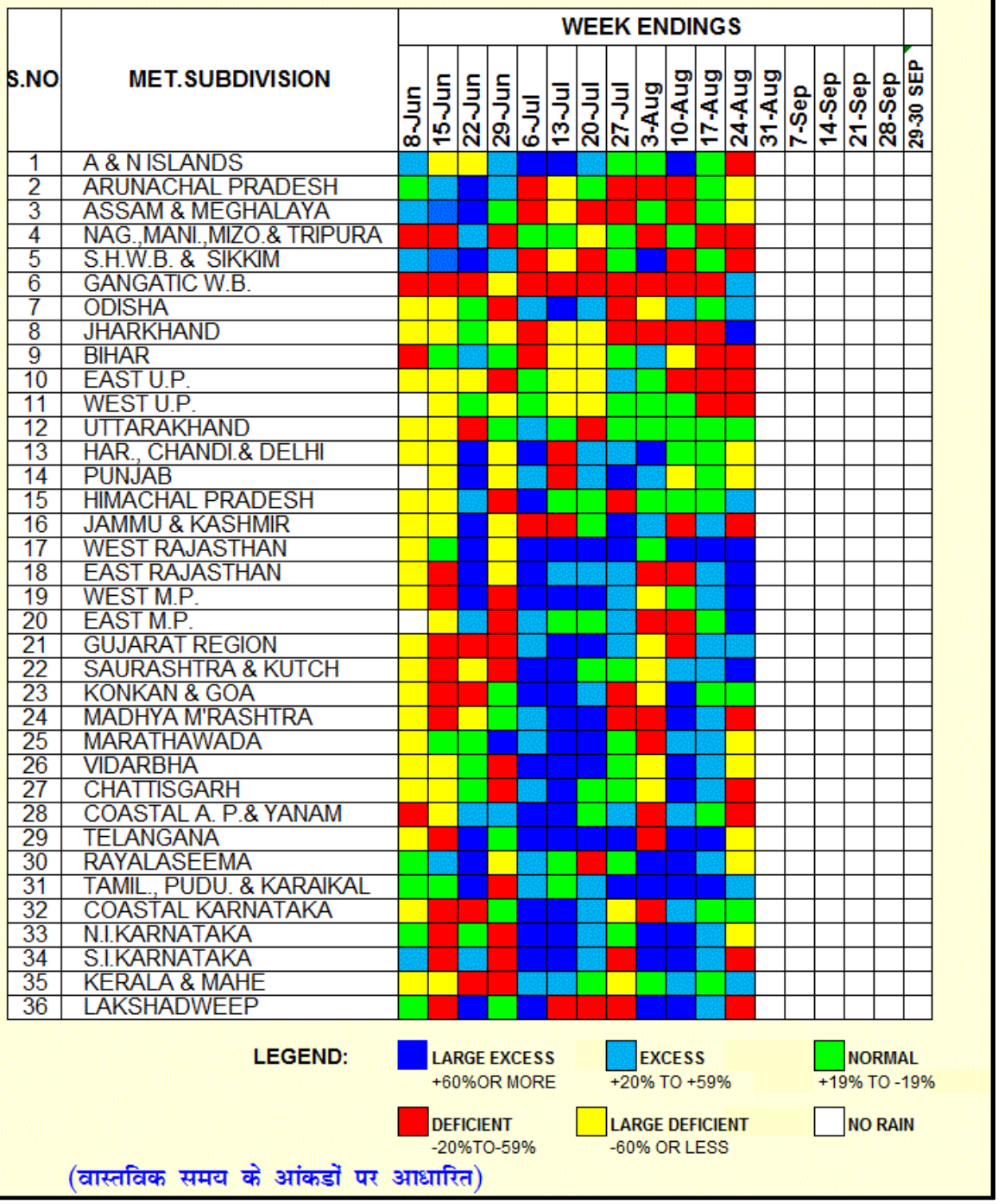
Legend

Large Excess [60% or more] | Excess [20% to 59%] | Normal [-19% to 19%] | Deficient [-59% to -20%] | Large Deficient [-99% to -60%] | No Rain [-100%] | No Data

NOTES :

a) RainFall figures are based on operation data.
b) Small figures indicate actual rainfal (mm), while bold figures indicate Normal rainfall (mm).
c) Percentage Departures of rainfall are shown in brackets.

PROGRESS OF MONSOON 2022 WEEK BY WEEK

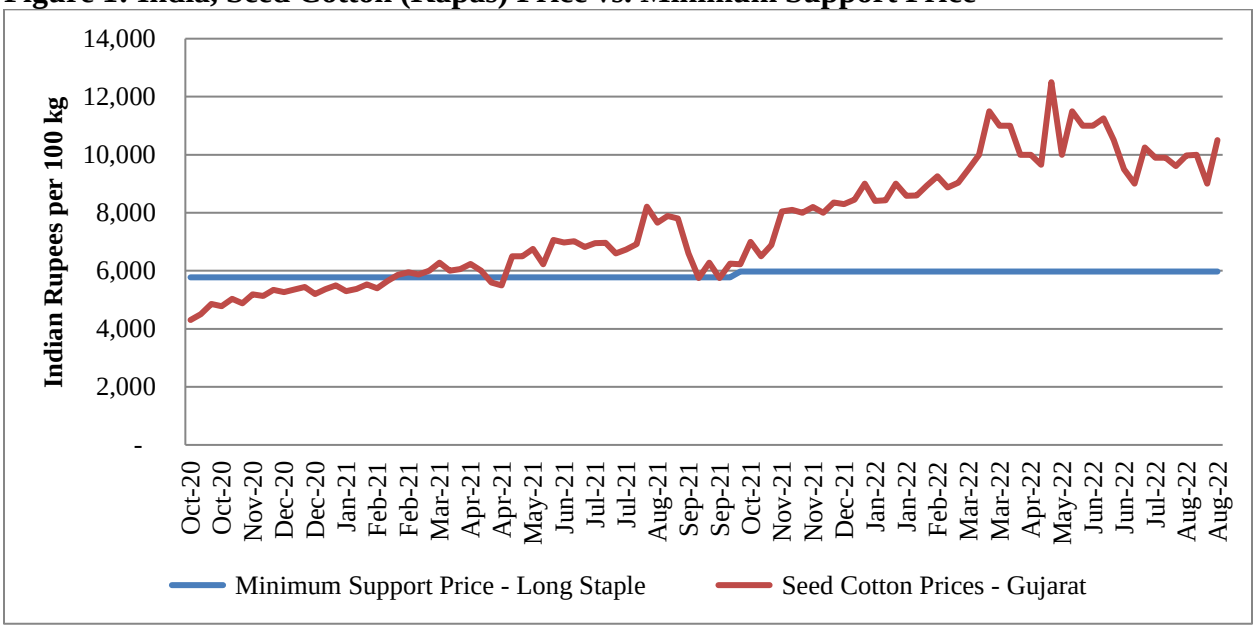


Source: Indian Meteorological Department, Ministry of Earth Sciences.

MY 2022/2023 Crop Arrivals to be Slow: As of August 31, 2022, MY 2021/2022 cotton arrivals being reported by the Cotton Corporation of India (CCI) have reached 24.36 million 480-lb. bales (31.2 million 170-kilgram bales - 5.3 MMT). Based on the production estimate of the Committee on Cotton Production and Consumption (COCPC), 99 percent of the crop has arrived in the market. Local industry estimates cotton production to be lower by five to six percent. Trade sources indicate that crop arrivals in MY 2021/2022 were slow as farmers held out waiting for higher prices; the gamble paid off for farmers, which saw better profits coming in during the lean months of March to May (when arrivals are typically minimal). A similar scenario is expected playout during the MY 2022/2023 season as a delayed harvest, along with the expectation of higher prices will prompt farmers to bring smaller quantities to the market. Trade sources indicate that prices are unlikely to fall below the minimum support price (MSP) and the CCI may remain active in the market only for commercial operations. Another factor for slow arrivals might also be the repetition of strong demand for cotton seed oil like what was witnessed in MY 2021/2022. Farmers are holding onto cotton seed stocks in the expectation of higher prices, which last time around were as competitive as the fiber prices during the season. Between January to May 2022, cotton seed prices jumped 24 percent in Gujarat state.

Fourth Advance Estimate Lowers Production: On August 17, 2022, the Ministry of Agriculture and Farmers Welfare released the fourth advance estimates of production of major crops for MY 2021/2022. Their cotton production estimate for MY 2021/2022 is 24.36 million 480-lb. bales (31.20 million 170-kilgram bales - 5.30 MMT). The MoAFW's fourth advance estimate is lowering production by one percent from its third advance estimate issued on May 15, 2020 (see, Fourth Advance Estimates of Production of Commercial Crops for 2021-22. During its meeting on August 10, 2022, the Committee on Cotton Production and Consumption (COCPC) formally adopted the ministry's production estimate. It is expected that the COCPC will similarly revise and adopt the fourth advance estimate as its production estimate at the next meeting.

Figure 1: India, Seed Cotton (Kapas) Price vs. Minimum Support Price



Source: Directorate of Marketing and Inspection (DMI), Ministry of Agriculture and Farmers Welfare.

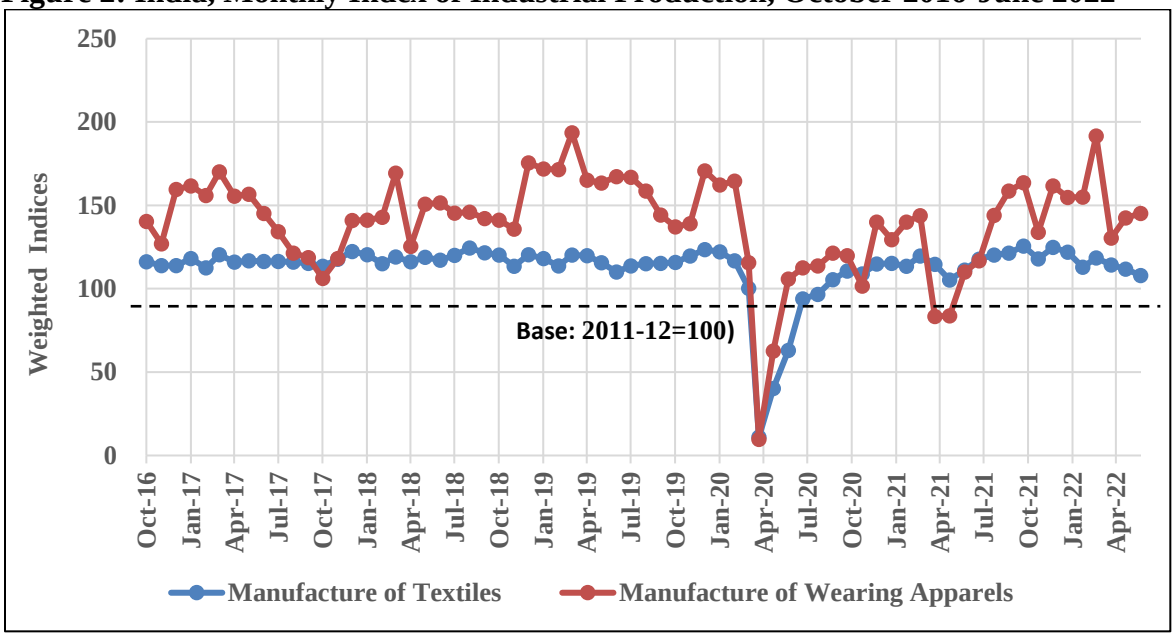
CONSUMPTION

FAS Mumbai estimates India's MY 2022/2023 cotton consumption at 26.5 million (480 lb.) bales (34 million 170-kilogram bales -5.8 MMT), six percent higher than USDA official estimate. Post expects that Indian cotton lint prices that are currently 15 percent higher than Cotlook A-Index will correct from its peak as the new crop arrivals begin in October. Also, global factors, such as crude oil prices stabilizing, improvements in both transit times and in port delays, and container prices almost 40 percent lower than last year (as per Drewry's Composite World Container Index) could lead to higher textile exports and help improve mill consumption in the second half of MY 2022/2023.

In the short-term, rising commodity prices, and inflationary pressures will continue to limit mill procurement or restrain immediate requirements. High domestic fiber prices are prompting mills to import and curb domestic buying despite a weakening Indian rupee. As of August 25, the Cotlook A-Index has increased by 18 percent since October 2021 (the beginning of the Indian marketing year), while Indian ex-gin prices rose by 72 percent during the same period. The Indian Rupee has weakened by seven percent since January 2022, which offers temporary support to textile exporters.

In June 2022, the textile sector experienced a three percent decline in production volume as compared to the same period last year (based on the Index of Industrial Production (IIP) - Quick Estimates of IIP June 2022). However, apparel manufacturing witnessed growth of 32 percent as compared to its output last year. Cumulatively (April-June 2022), the production of textiles and apparels have both increased by 0.8 percent and 50.9 percent, respectively, as compared to same period last year. According to IIP estimates, textile manufacturing data indicates that mills are facing higher inputs costs (fiber, fuel, and labor) which is eroding margins for cotton-based textile products, while at the same time apparel manufacturers using blends have benefitted from strong export demand.

Figure 2: India, Monthly Index of Industrial Production, October 2016-June 2022



Source: Ministry of Statistics and Program Implementation.

MY 2021/2022 Season Lays Bare Challenges Faced by the Indian Textile Value Chain: Trade sources indicate that the lack of availability of good quality seeds for farmers has led to declining productivity. In addition, improper labeling of cotton bales, high trash and contamination in raw cotton, lack of data on production and consumption created extreme price volatility in fiber prices during the MY 2021/2022 season leading to contract cancelations and disputes. Various textile associations have been requesting the government to reinstate a price stabilization cotton buffer stock in case of supply shortages. Associations are requesting that the industry improve data collection and sharing, as well as honor contracts. With regards to fiber quality, the industry wants the government to limit approval of new seed hybrids/varieties so farmers focus on good quality seeds and are not confused by too many seed options. Currently there are more than 1,100 hybrids approved the Indian government for commercial cultivation across the country.

TRADE

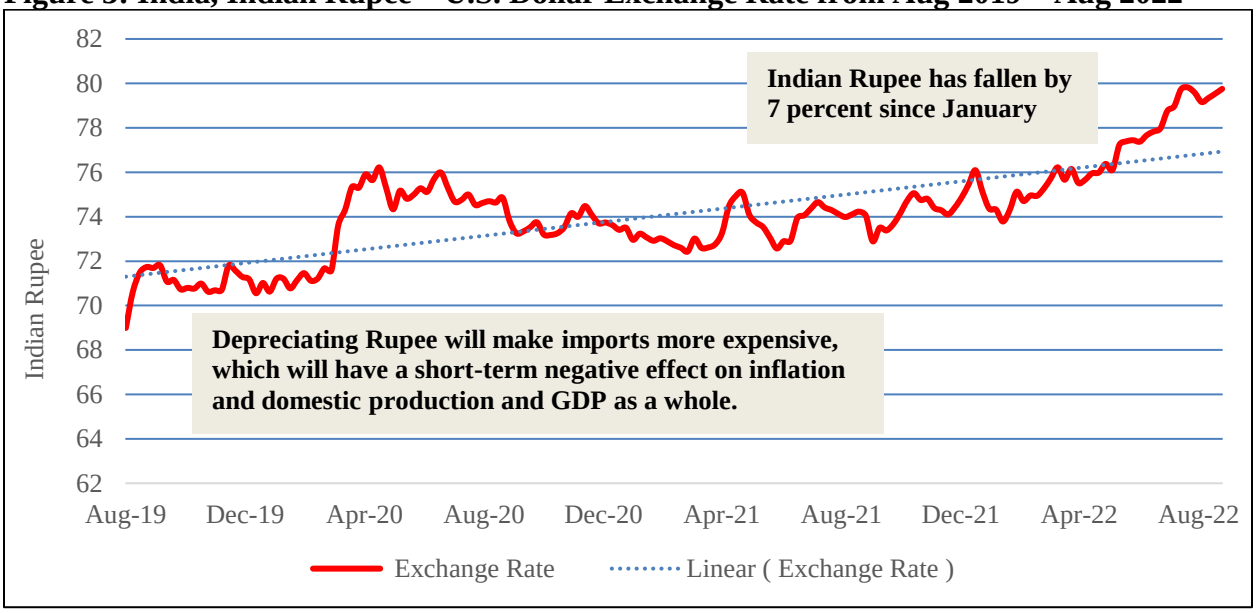
FAS Mumbai forecasts MY 2022/2023 cotton exports at 4 million (480-lb.) bales (5.1 million 170-kilogram bales - 871,000 MT). Post estimate is 300,000 bales higher than USDA official estimate. Higher production estimates will leave India with an exportable surplus, but with limited pool of buyers. Indian ex-gin prices are well above the Cotlook A-Index. However, domestic prices are expected to be lower based on expected higher production.

Export demand remains sluggish but the high fiber prices are prompting mills to either import cotton and/or consider changing blends with less percentage of cotton due to limited availability of higher quality cotton at affordable prices. Provisional trade data for July 2022 points to Bangladesh, Vietnam, and Taiwan as India's major export markets for raw cotton. Bangladesh, Egypt, and Sri Lanka will come in as the major buyers of Indian cotton yarn.

According Ministry of Commerce provisional trade data, exports of cotton yarn/fabrics/made-ups and handloom products declined by 12 percent (by value) between April and July 2022 on a year-on-year basis. However, exports of readymade garments of all textiles were 22.5 percent higher between April and July 2022 on a year-on-year basis.

Post forecasts MY 2022/2023 imports at 1.1 million (480-lb.) bales (1.4 million 170-kilogram bales - 240,000 MT). Post estimate is 400,000 bales lower than the USDA official estimate. Post expects that mills will continue to procure imported cotton until the domestic crop's arrivals commence from October onwards. Provisional trade data for July 2022 indicates that the United States, Australia, and Brazil will remain the top suppliers for India's imports of cotton. In addition, depreciating rupee is affecting import prices and impacting the mill margins. In April 2022, the Indian government issued a notification exempting all cotton imports from custom duty through September 30, 2022. There is no indication that the exemption will be extended.

Figure 3: India, Indian Rupee – U.S. Dollar Exchange Rate from Aug 2019 – Aug 2022



Source: Reference Rate Archive, Reserve Bank of India.

Table 3: India, State Monthly Wholesale Prices for Seed Cotton, August 2022**

State	Prices March 2022**	Prices February 2022	Prices March 2021	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	10,246	9,416	-	9%	0%
Gujarat	10,505	9,946	7,783	6%	35%
Karnataka	10,325	8,245	9,319	25%	11%
Madhya Pradesh	9,500	11,000	7,125	-14%	33%
Maharashtra	8,630	8,998	7,221	-4%	20%
Punjab	-	-	6,421	0%	-100%
Rajasthan	9,522	-	6,692	0%	42%
Tamil Nadu	11,186	9,186	7,435	22%	50%
Telangana	9,202	7,723	-	19%	0%
Uttar Pradesh	9,889	-	-	0%	0%
AVERAGE	**9,890**	**8,914**	**6,428**	**11%**	**54%**

Note: **Prices reported for the period from August 01-31, 2022 (India rupees/100 kilograms).
Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare.

Table 4: India, State Seed Cotton Arrivals in Market Yards, August 2022 (metric tons)**

State	Market Arrivals August 2022	Market Arrivals August 2021	Change (Over Previous Year)
Andhra Pradesh	2,713	248	992%
Gujarat	539	563	-4%
Haryana	32	7	348%
Karnataka	3,735	2,329	60%
Madhya Pradesh	5	43	-88%
Maharashtra	5	113	-96%
Odisha	-	133	-100%
Punjab	35	48	-27%
Rajasthan	6,619	2,387	177%
Tamil Nadu	1,630	1,253	30%
Telangana	1,941	780	149%
TOTAL	**17,254**	**7,905**	**118%**

Note: ** Arrivals reported for the period from August 01-31, 2022.
Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare.

Table 5a. India, Estimate of 2020/2021 Cotton Exports

	170 kg.	Metric Tons	480 lb.
August Exports 1\	339,733	57,755	265,264
September Exports 1\	448,626	76,266	350,289
October Exports 1\	529,193	89,963	413,196
November Exports 1\	782,566	133,036	611,030
December Exports 1\	711,686	120,987	555,687
January Exports 1\	773,840	131,553	604,217
February Exports 1\	820,468	139,480	640,625
March Exports 1\	1,074,065	182,591	838,634
April Exports 1\	790,848	134,444	617,497
May Exports 1\	686,664	116,733	536,150
June Exports 1\	567,533	96,481	443,132
July Exports 1\	401,726	68,293	313,669
TOTAL	**7,926,948**	**1,347,581**	**6,189,391**

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

Table 5b. India, Estimate of 2021/2022 Cotton Exports

	170 kg.	Metric Tons	480 lb.
August Exports 1\	344,927	58,638	269,321
September Exports 1\	275,838	46,893	215,376
October Exports 1\	251,628	42,777	196,472
November Exports 1\	641,973	109,135	501,255
December Exports 1\	955,329	162,406	745,925
January Exports 1\	741,447	126,046	578,925
February Exports 1\	547,006	92,991	427,104
March Exports 1\	384,212	65,316	299,994
April Exports 1\	308,135	52,383	240,593
May Exports 1\	170,488	28,983	133,118
June Exports 1\	111,347	18,929	86,940
July Exports 2\	108,824	18,500	84,970
PRELIMINARY TOTAL (AUG-JUL)	**4,841,156**	**822,996**	**3,779,993**

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor.
2\ FAS Analysis.

Table 6a. India, Estimate of 2020/2021 Cotton Imports

	170 kg.	Metric Tons	480 lb.
August Imports 1\	60,682	10,316	47,381
September Imports 1\	88,401	15,028	69,024
October Imports 1\	62,071	10,552	48,466
November Imports 1\	42,453	7,217	33,147
December Imports 1\	76,437	12,994	59,683
January Imports 1\	135,034	22,956	105,435
February Imports 1\	81,981	13,937	64,011
March Imports 1\	94,613	16,084	73,875
April Imports 1\	76,424	12,992	59,672
May Imports 1\	112,038	19,046	87,479
June Imports 1\	135,510	23,037	105,806
July Imports 1\	114,929	19,538	89,737
TOTAL	**1,080,575**	**183,698**	**843,717**

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

Table 6b. India, Estimate of 2021/2022 Cotton Imports

	170 kg.	Metric Tons	480 lb.
August Imports 1\	78,373	13,323	61,194
September Imports 1\	92,771	15,771	72,436
October Imports 1\	81,072	13,782	63,301
November Imports 1\	48,444	8,235	37,825
December Imports 1\	84,229	14,319	65,766
January Imports 1\	54,341	9,238	42,430
February Imports 1\	62,659	10,652	48,924
March Imports 1\	85,976	14,616	67,131
April Imports 1\	69,012	11,732	53,885
May Imports 1\	136,229	23,159	106,368
June Imports 1\	186,371	31,683	145,519
July Imports 2\	305,882	52,000	238,834
PRELIMINARY TOTAL (AUG-JUL)	**1,285,359**	**218,511**	**1,003,613**

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule (HS) code 5201 – raw cotton, Trade Data Monitor.
2\ FAS Analysis.

Table 6: India, Cotton Yarn* Exports by Month (Figures in Thousands Metric Tons)

Month/Year	2015/2016	2016-2017	2017-2018	2018/2019	2019/2020	2020/2021	2021/2022
Aug	117	66	79	108	67	92	116
Sep	112	77	99	98	66	93	117
Oct	106	76	98	97	78	86	117
Nov	105	103	111	95	89	87	111
Dec	115	129	116	92	91	91	123
Jan	104	132	87	91	102	82	111
Feb	100	103	95	100	91	82	91
Mar	112	89	118	117	73	98	95
Apr	105	66	106	89	18	89	73
May	94	65	109	76	58	101	47
Jun	92	78	117	58	96	119	38
Jul	75	71	101	59	101	115	41**
TOTAL	**1,237**	**1,055**	**1,236**	**1,080**	**929**	**1,135**	**1,082**

Note: (*) **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 7: India, Cotton Fabric* Exports by Month (Figures in Thousands Square Meters)

Month/Year	2015-16	2016-17	2017-18	2018-19	2019/20	2020/21	2021/22
Aug	101,609	113,364	107,497	147,673	150,882	147,156	185,041
Sep	104,032	104,666	123,688	126,498	139,365	155,853	167,888
Oct	117,744	105,449	109,769	142,260	146,139	160,755	199,174
Nov	95,225	87,711	118,256	119,215	126,143	144,515	158,629
Dec	121,134	112,030	132,635	132,049	142,892	163,571	194,641
Jan	116,656	107,852	125,493	136,899	140,226	152,862	178,802
Feb	107,487	110,875	113,399	135,495	148,992	146,373	188,930
Mar	120,461	113,507	133,927	162,676	121,661	155,698	177,113
Apr	109,535	94,383	114,876	126,031	21,311	167,624	291,391
May	103,373	89,117	119,821	141,129	69,666	139,329	191,450
Jun	97,043	93,410	122,381	131,507	127,850	151,776	138,910
Jul	98,914	94,399	113,614	140,699	154,192	176,276	---
TOTAL	**1,293,214**	**1,226,764**	**1,435,355**	**1,642,132**	**1,489,320**	**1,861,788**	

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

Attachments:

No Attachments