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Report Name: Cotton and Products Update

Country: India

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Report Highlights:

FAS Mumbai forecasts marketing year (MY) 2023/24 India cotton production at 26 million 480 lb. bales on 12.7 million hectares area planted, unchanged from the previous report. Yields are expected to be marginally higher than last year as farmers improve their integrated pest management practices. Farmers in southern states have shifted to paddy and oilseeds planting due to higher price expectations. Post forecasts MY 2023/24 mill consumption and export demand to remain weak as fiber and yarn prices fall from record highs last year. Higher exportable surplus will likely limit mills to import much smaller volumes in the new marketing year.

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	11,696	12,096
Production 1000 480 lb. Bales	24,400	24,400	26,000	26,400	25,500	26,000
Imports 1000 480 lb. Bales	1,000	1,000	1,750	1,700	1,500	1,000
Total Supply 1000 480 lb. Bales	37,339	37,339	36,346	36,696	38,696	39,096
Exports 1000 480 lb. Bales	3,743	3,743	1,150	1,100	2,200	2,000
Domestic Use 1000 480 lb. Bales	25,000	25,000	23,500	23,500	24,500	23,500
Loss 1000 480 lb. Bales	-	-	-	-	-	-
Domestic Use and Loss 1000 480 lb. Bales	25,000	25,000	23,500	23,500	24,500	23,500
Ending Stocks 1000 480 lb. Bales	8,596	8,596	11,696	12,096	11,996	13,596
Total Distribution 1000 480 lb. Bales	37,339	37,339	36,346	36,696	38,696	39,096
Stock to Use % (PERCENT)	30	30	47	49	45	53
Yield (KG/HA)	429	429	435	442	448	446
(1000 HA) ,1000 480 lb. Bales,(PERCENT) ,(KG/HA)						

Area

FAS Mumbai forecasts MY 2023/24 cotton area 12.7 million hectares, unchanged from the previous June 2023 report. Sowing in northern and central India is complete, with a five percent increase in area in north India, and a two percent increase in central India. Sowing in southern India is nearly complete, almost 14 percent lower than last year. However, an additional winter-planted (rabi)area will be reflected by the end of the marketing year. According to the August 25 sowing progress report by the Ministry of Agriculture and Farmers Welfare's (MOAFW), cotton planted area reached 12.3 million hectares, two percent lower than last year, and one percent higher than the five-year average (refer table 1).

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

State	2023/24 as of August 25, 2023	2022/23 as of August 25, 2022	Normal Area as on date	Y-o-Y Change	Change from Normal
Andhra Pradesh	0.369	0.572	0.527	-35%	-30%
Telangana	1.823	1.957	1.984	-7%	-8%
Gujarat	2.678	2.538	2.482	5%	8%
Haryana	0.665	0.651	0.688	2%	-3%
Karnataka	0.656	0.780	0.599	-16%	10%
Madhya Pradesh	0.650	0.625	0.633	4%	3%
Maharashtra	4.192	4.199	4.161	0%	1%
Odisha	0.234	0.216	0.182	8%	28%
Punjab	0.169	0.249	0.277	-32%	-39%
Rajasthan	0.790	0.653	0.624	21%	27%
Tamil Nadu	0.013	0.017	0.011	-26%	17%
Others	0.017	0.026	0.026	-33%	-33%
All India	**12.255**	**12.482**	**12.193**	**-2%**	**1%**

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

Figure 1. Southwest Monsoon 2023

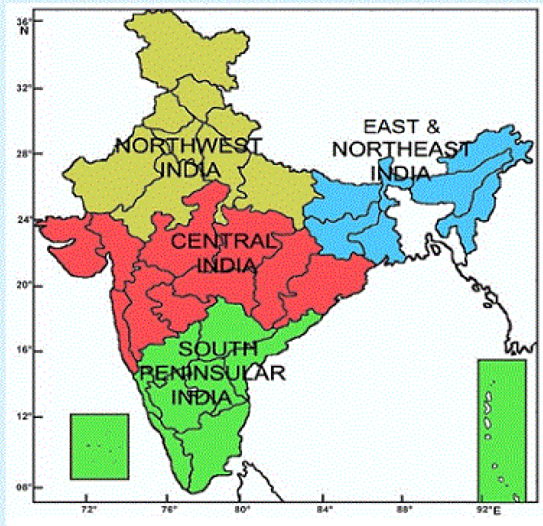
RAINFALL STATISTICS - MONSOON 2023

JUNE 2023	1- Jun	TO	30-Jun
REGION	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	151.2	165.3	-9.0
NORTHWEST INDIA	115.0	78.1	47.0
EAST & NORTHEAST INDIA	278.4	328.4	-15.0
CENTRAL INDIA	160.4	170.3	-6.0
SOUTH PENINSULA	88.7	161.0	-45.0

JULY 2023	1- Jul	TO	31-Jul
REGION	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	315.9	280.5	13.0
NORTHWEST INDIA	261.4	209.7	25.0
EAST & NORTHEAST INDIA	286.8	424.1	-32.0
CENTRAL INDIA	391.4	321.3	22.0
SOUTH PENINSULA	295.5	204.5	45.0

AUGUST 2023	1- Aug	TO	29-Aug
REGION	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	160.3	241.0	-33.0
NORTHWEST INDIA	123.3	188.5	-35.0
EAST & NORTHEAST INDIA	336.0	314.0	7.0
CENTRAL INDIA	164.0	290.2	-44.0
SOUTH PENINSULA	69.3	179.9	-61.0

CUMULATIVE SEASONAL RAINFALL	1- Jun	TO	29-Aug
REGION	ACTUAL	NORMAL	% DEP
COUNTRY AS A WHOLE	627.2	686.8	-9.0
NORTHWEST INDIA	499.6	476.3	5.0
EAST & NORTHEAST INDIA	901.0	1066.5	-16.0
CENTRAL INDIA	715.8	781.8	-8.0
SOUTH PENINSULA	453.0	545.4	-17.0



FOUR HOMOGENEOUS REGIONS OF INDIA

(Based on real time data)

Production

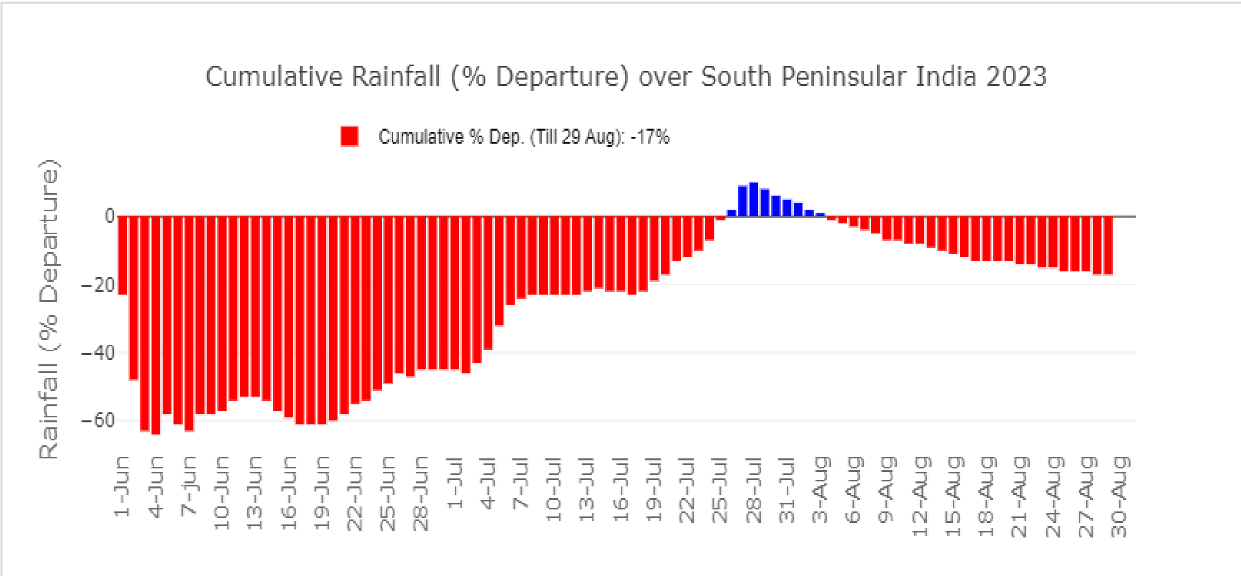
FAS Mumbai forecasts MY 2023/24 India cotton production at 26 million 480 lb. bales (33.3 million 170-kilogram bales/5.6 million metric tons), unchanged from previous report. All India yield forecasts are estimated at 446 kilograms per hectare. Official government data indicates that five-year average (2017-2021) cotton yields are estimated at 458 kilograms per hectare. According to the Indian Meteorological Department (IMD), cumulative state-wise rainfall distribution as of August 23 across all major cotton growing states has been normal to excess over the long period average (LPA).

The southern state of Telangana has received 16 percent excess rains as compared to the LPA. However, recent FAS travel to the state of Telangana indicates that a delayed southwest monsoon coupled with deficit rains until mid/late July (refer figure 2) prompted farmers to shift to cotton from paddy. The current crop is in flowering stage, with harvest expected to begin around late October. Farmers have indicated that limiting the pickings to three and completing the harvest by January to avoid pink bollworm infestation. Farmers with adequate irrigation and water facilities have planted paddy, while others chose to plant cotton due to its relatively higher drought tolerance. They continue to plant multiple brands of hybrids as they are unsure about the yield stability due to very dry soil conditions. Farmers in the state sold remaining seed cotton stocks in July at lower than anticipated prices, but price expectations for the upcoming season are almost 10-15 percent higher than the minimum support price (MSP). Similarly, farmers in the state of Karnataka will prefer to plant coarse cereals, specifically maize, if adequate irrigation is available, and oilseeds (groundnut, castor) in the state of Andhra Pradesh.

Cotton intercropped with pigeon pea in Nalgonda district, Telangana.

Source: FAS Mumbai

Figure 2. Cumulative Rainfall Departure over South Peninsular India* 2023



*South Peninsular India comprises of five states (Andhra Pradesh, Telangana, Kerala, Karnataka, and Tamil Nadu) and two union territories (Puducherry and Lakshadweep)

Source: Indian Meteorological Department, Ministry of Earth Sciences

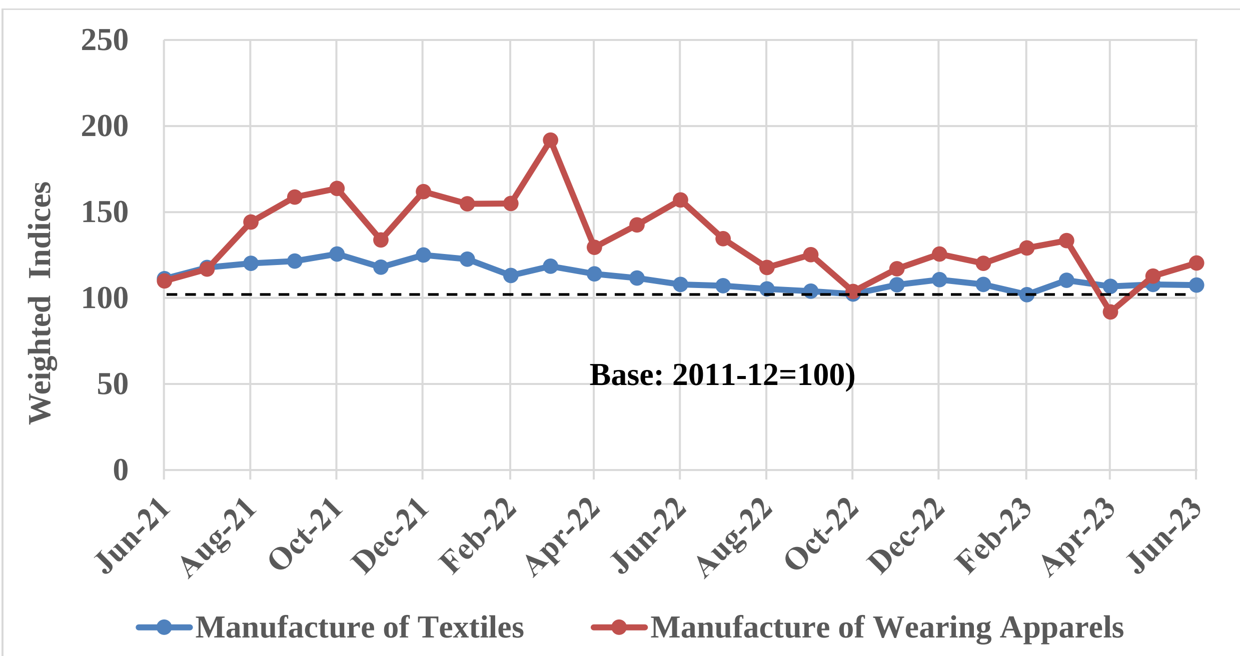
MY 2022 Arrivals Slow

According to the Cotton Corporation of India (CCI), MY 2022/23 crop arrivals as of August 29, 2023, are estimated at 25.2 million 480 lb. bales (32.3 million 170-kilogram bales/5 MMT), 94 percent of total estimated production for MY 2022/23. The pace of arrivals has slowed down since new 2023/24 MSP rates were announced by the government effective from October 1. Farmers across the country expect the minimum selling price to reflect the newly announced MSP rates or higher. Post discussions with the farmers and trade indicate that farmers in Maharashtra are holding around 15-20 percent of their crop. In Gujarat, farmers are holding around 5-10 percent of their production, which will likely arrive in the new marketing year. Trade sources indicate that government agencies will likely undertake procurement operations under the MSP program in MY 2023/24 season.

Consumption

Post forecasts MY 2023/24 consumption at 23.5 million 480-lb. bales, unchanged from the previous report. Domestic mill demand remains stagnant as major export markets of Europe and United States are still experiencing depressed demands for product. The production of textiles and apparels both decreased by three percent and 24 percent respectively (April-June 2023 and based on the [Index of Industrial Production - Quick Forecasts of IIP April 2023](#)), as compared to same period last year. Depressed demand is also reflected in the significant drop in fiber prices. As of August 24, the Cotlook A-Index has fallen by 15 percent since August 2022 (the beginning of the MY 2022/23), while Indian ex-gin prices and domestic cotton yarn prices fell by 37 percent and 30 percent respectively during the same period. Currently, Indian prices are one of the cheapest in the Cotlook A-Index. Trade sources indicate a higher number of inquiries and bulk orders ahead of the upcoming festive season that may lead to an increase in sales. However, rising consumption will only lead to recovery or offsetting of sizeable output losses in MY 2022/23, resulting in a flat consumption forecast. Trade sources indicate that most large mills have sufficient stock inventory until the end of September, while smaller to medium sized mills are covered between 45-60 days on average.

Figure 3: Monthly Index of Industrial Production (IIP), June 2021- June 2023



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

Trade

Post forecasts MY 2023/24 cotton exports at two million 480-lb. bales (2.5 million 170-kilogram bales/ 435,450 metric tons), 400,000 480-lb. bales lower than its previous forecast due to sluggish demand, and international buyers preferring contamination free machine picked cotton, despite lower prices for Indian cotton yarn. Cotton yarn prices are nearly 14 percent lower than October 2022, and 30 percent lower than August 2022.

According to the July 2023 provisional trade data published by the Ministry of Commerce, exports of cotton yarn/fabric/made-ups and handloom products rose by seven percent (by value) as compared to last year, showing some early signs of recovery. However, cumulative exports between April 2023 and July 2023 declined by eight percent on a year-on-year basis. Exports of readymade garments of all textiles (by value) in July 2023 also declined by 17 percent as compared to last year, and by 18 percent between April 2023 and July 2023 on a year-on-year basis. Similarly, exports of man-made yarn/fabric/made-ups also declined by ten percent in July 2023 as compared to last year, and by 12 percent on a cumulative basis (April 2023 – July 2023) from last year.

Post forecasts MY 2023/24 cotton imports at one million 480-lb. bales (1.3 million 170-kilogram bales/ 218,000 metric tons), unchanged from the previous report, as mills retain access to cheap domestic fiber supplies.

Marketing

The Government of India continues to explore best practices to sustain and increase cotton yields. Over the past two years, the government is also looking to enhance the yields of extra-long staple cotton (ELS) with the objective of reducing import dependence and make India self-sufficient in ELS cotton. ELS cultivation faces numerous challenges, including its vulnerability to pest infestations due to its longer duration, lower yields as compared to long staple varieties, and requirement of an assured irrigation. The government, in partnership with research institutes and the private sector is also examining the high-density plantation system (HDPS), where plant populations are increased from 5,000-7,000 plants per acre to 15,000 plants per acre. In terms of branding Indian cotton as a premium brand, the government launched the brand ‘Kasturi Cotton India’ in 2020. The objective is to achieve complete traceability of Cotton from the origin to farm level, QR Code based Certification technology to validate the brand by enhancing international perception and valuation of Indian Cotton. For more details, please refer to the press release.

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

State	Prices August 2023**	Prices July 2023	Prices August 2022	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	7,284	6,918	10,246	5.29%	-28.91%
Gujarat	7,525	7,018	10,517	7.22%	-28.45%
Haryana	6,600	6,673	9,480	-1.09%	-30.38%
Karnataka	7,651	6,921	10,263	10.55%	-25.45%
Madhya Pradesh	6,978	6,613	9,682	5.52%	-27.93%
Maharashtra	7,471	6,958	8,630	7.37%	-13.43%
Punjab	6,436	-	-	-	-
Rajasthan	7,079	7,245	9,214	-2.29%	-23.17%
Tamil Nadu	7,192	6,295	11,172	14.25%	-35.62%
Telangana	6,974	6,435	9,281	8.38%	-24.86%
Uttar Pradesh	6,400	-	9,889	-	-35.28%
Average	**7,054**	**6,786**	**9,837**	**3.94%**	**-28.30%**

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, Government of India
Note: **Prices reported for the period from August 01-29, 2023 (India rupees/100 kilograms).

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

State	Market Arrivals August 2023	Market Arrivals August 2022	Change (Over Previous Year)
Andhra Pradesh	16,409	2,713	504.72%
Gujarat	8,420	531	1,487.01%
Haryana	17,365	32	54,505.97%
Karnataka	4,229	3,887	8.80%
Madhya Pradesh	2,682	5	51,476.15%
Maharashtra	7,048	5	14,0850.80%
Odisha	116	-	-
Punjab	2,026	72	2,721.45%
Rajasthan	3,866	6,658	-41.93%
Tamil Nadu	6,648	1,648	303.48%
Telangana	800	1,781	-55.08%
TOTAL	**69,609**	**17,331**	**301.64%**

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, Government of India
Note: ** Arrivals reported for the period from August 01-29, 2023.

Table 4a: India's 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	133,652
Jun	390,080	48,898	298,085	443,132	86,940	115,187
Jul	219,316	65,238	341,103	313,649	48,405	*84,970**
TOTAL	**5,199,793**	**3,521,118**	**3,201,563**	**6,188,700**	**3,743,428**	**1,100,797**

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

Table 4b: India's Cotton Imports by Month
(Figures in 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	98,680
Jun	169,524	318,896	83,758	105,806	145,519	158,453
Jul	142,770	514,499	60,886	89,737	235,486	*137,789**
TOTAL	**1,676,643**	**1,800,056**	**2,279,949**	**843,717**	**1,000,265**	**1,700,898**

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

Table 5: India's Cotton Yarn* Exports by Month
(Figures in 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	80
Jun	117	58	96	119	38	93
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: India's Cotton Fabric* Exports by Month
(Figures in 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	154,281
Jun	122,381	131,507	127,850	151,776	138,906	165,526
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