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India

Cotton and Products

Quarterly Lock-up Report

2006

Approved by:
Chad R. Russell
U.S. Embassy, New Delhi

Prepared by:
Santosh Singh

Report Highlights:
Post lowers its marketing year (MY) 2005/06 cotton production estimate marginally downward to 23.5 million bales (170 kg) as market arrivals lag behind last year's level. With the Indian cotton prices very competitive vis-à-vis other origins, exports have been revised higher to 2.6 million bales and imports lowered to 0.7 million bales.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly Report
New Delhi [IN1]
[IN]

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SECTION I: SITUATION AND OUTLOOK

Note: All figures in the text are in 170 kg bales, unless stated otherwise.

2005/06 Production Marginally Lower

Post's MY 2005/06 (August-July) production estimate has been shaved to 23.5 million bales based on lower than expected market arrivals, particularly in Maharashtra and southern states. Market sources report that heavy rains during October and November in these states caused more damage to the crop than earlier anticipated. Industry production estimates currently range from 23.0 to 24.0 million bales. However, the Cotton Advisory Board's production estimate of December 7, 2005, remains unchanged at 24.23 million bales.

All India market arrivals through February 18, 2006, are estimated at 16.7 million bales compared to 17.8 million bales for the comparable period last year. Market arrivals by state (in million bales), with last year's corresponding figures in parenthesis are: Punjab 1.73 (1.35); Haryana 1.11 (1.18); Rajasthan 0.90 (0.84); Gujarat 5.45 (3.96) Maharashtra 2.50 (4.70); Madhya Pradesh 1.28 (1.25); Andhra Pradesh 2.25 (2.73); Karnataka 0.32 (0.52); Tamil Nadu 0.19 (0.25); Others 0.10 (0.97); and loose cotton 0.85 (0.90).

The late season rains have also delayed market arrivals in affected states, where the pace of arrivals started gaining momentum only in early January versus the normal mid-December period. Market sources report that the current pace of arrivals of around 150,000 bales per day will continue through early April. However, the quality of the late arrivals is not satisfactory in some states. With expected higher late season market arrivals, MY 2005/06 production is likely to reach 23.5 million bales.

Based on the revised data for various states compiled by the Ministry of Agriculture, MY 2004/05 and 2005/06 cotton area estimates are revised to 8.92 and 8.85 million hectares, respectively.

Prices Stable

Domestic cotton prices remained firm throughout the season on strong international cotton prices. Despite the recent increase in the pace of arrivals, prices have remained firm in January and February (see Table 4) on strong foreign and domestic demand. Most exportable varieties are currently priced between 44 cents/lb. to 64 cents/lb. Market sources report that Indian cotton has been competitively priced vis-à-vis cotton from other origins from the beginning of the MY 2005/06 season.

Exports Revised Higher; Imports Lowered

Due to adequate domestic supplies and competitive domestic cotton prices vis-à-vis international prices, Post's MY 2005/06 export estimate has been revised higher to 2.6 million bales and imports lowered to 0.7 million bales.

Market sources report that about 2.3 to 2.5 million bales of Indian cotton have been contracted for exports[1] up to the third week of February. Of this, about 1.5 to 1.8 million bales have already been shipped and the remaining quantity is likely to be shipped through April. The major export destination was China (60-70 percent), followed by Bangladesh,

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[1] No official or industry source compiles information on cotton export contracts. Official estimates on cotton exports compiled by the DGCIS, Ministry of Commerce are unreliable and available after a lag of 6 to 8 months.

Pakistan, Taiwan, Indonesia and other Far-East countries. Most of the exported cotton variety was Shankar–6 (27-29 mm), almost 70 percent, at prices ranging between 50-57 cents/lb. Although export demand continues to remain strong, lack of availability of quality cotton will further constrain exports. MY 2005/06 exports are expected to reach 2.6 million bales through July 2006.

India's cotton imports in MY 2005/06 have so far been limited to extra long staple (ELS) cotton and some specialty cotton. Market sources report that subdued demand for fine yarn from ELS cotton in the international market has further tempered import prospects. Consequently, MY 2005/06 imports have been revised lower to 700,000 bales.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (Metric Tons), PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		2003		2004		2005	UOM
	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	
Market Year Begin		8/2003		8/2004		8/2005	(MONTH/YEAR)
Area Planted	7630000	7630000	9000000	8920000	8900000	8850000	(HECTARES)
Area Harvested	7630000	7630000	9000000	8920000	8900000	8850000	(HECTARES)
Beginning Stocks	780767	780767	911403	911403	1847628	1847628	METRIC TONS
Production	3048172	3048172	4136805	4136805	4049714	3995000	METRIC TONS
Imports	174181	174181	174181	174181	174181	119000	METRIC TONS
TOTAL SUPPLY	**4003120**	**4003120**	**5222389**	**5222389**	**6071523**	**5961628**	METRIC TONS
Exports	152409	152409	152409	152409	391908	442000	METRIC TONS
USE Dom. Consumption	2727148	2727148	2992000	2992000	3383000	3383000	METRIC TONS
Loss Dom. Consumption	212160	212160	230352	230352	263920	263920	METRIC TONS
TOTAL Dom. Consumption	2939308	2939308	3222352	3222352	3646920	3646920	METRIC TONS
Ending Stocks	911403	911403	1847628	1847628	2032695	1872708	METRIC TONS
TOTAL DISTRIBUTION	**4003120**	**4003120**	**5222389**	**5222389**	**6071523**	**5961628**	METRIC TONS

Note: Production figures for MY 2003 (August-July), MY 2004, and MY 2005, include 1.1 million bales (170 kg), 1.2 million bales, and 1.2 million bales of loose cotton, respectively.

Table 2: Commodity, Cotton (480 lb bales), PSD

PSD Table							
Country:	India				Conversion	0.004592917	
Commodity:	**Cotton**						
		2003		**2004**		**2005**	UOM
	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	USDA Official	Post Estimate (New)	
Market Year Begin		**8/2003**		**8/2004**		**8/2005**	(MONTH/YEAR)
Area Planted	7630000	7630000	9000000	8920000	8900000	8850000	(HECTARES)
Area Harvested	7630000	7630000	9000000	8920000	8900000	8850000	(HECTARES)
Beginning Stocks	3586	3586	4186	4186	8486	8486	1,000 480lb bales
Production	14000	14000	19000	19000	18600	18349	1,000 480lb bales
Imports	800	800	800	800	800	547	1,000 480lb bales
TOTAL SUPPLY	18386	18386	23986	23986	27886	27381	1,000 480lb bales
Exports	700	700	700	700	1800	2030	1,000 480lb bales
USE Dom. Consumption	12526	12526	13742	13742	15538	15538	1,000 480lb bales
Loss Dom. Consumption	974	974	1058	1058	1212	1212	1,000 480lb bales
TOTAL Dom. Consumption	13500	13500	14800	14800	16750	16750	1,000 480lb bales
Ending Stocks	4186	4186	8486	8486	9336	8601	1,000 480lb bales
TOTAL DISTRIBUTION	18386	18386	23986	23986	27886	27381	1,000 480lb bales

Note: Production figures for MY 2003 (August-July), MY 2004, and MY 2005, include 1.1 million bales (170 kg), 1.2 million bales, and 1.2 million bales of loose cotton, respectively.

Table 3: Area, Production & Yield of Cotton in Major States
(Area in '000 hectares, Production in '000 bales, and Yield in Kgs/Hec)

						Final	Revised	Estimated
STATE		**1999/2000**	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**
Maharashtra	Area	3254	3077	2980	2800	2766	2980	2900
	Production	3650	2050	3425	2600	3100	5200	4000
	Yield	191	113	195	158	191	297	234
Gujarat	Area	1516	1615	1687	1634	1647	1906	2080
	Production	2850	2400	3250	3050	5000	7300	8000
	Yield	320	253	328	317	516	651	654
Madhya Pradesh	Area	525	506	623	545	591	576	635
	Production	1550	1750	2000	1800	1965	1600	1700
	Yield	502	588	546	561	565	472	455
Punjab	Area	475	474	600	449	452	509	580
	Production	800	900	925	750	1035	1650	2000
	Yield	286	323	262	284	389	551	586
Haryana	Area	546	555	610	519	526	621	597
	Production	1050	1000	550	875	1150	1550	1450
	Yield	327	306	153	287	372	424	413
Rajasthan	Area	583	510	347	386	344	438	454
	Production	1300	1050	700	500	915	1100	1200
	Yield	379	350	343	220	452	427	449
Andhra Pradesh	Area	1040	1022	1002	803	837	1174	980
	Production	2200	2500	2675	1975	2740	3250	2750
	Yield	360	416	454	418	557	471	477
Karnataka	Area	600	560	591	393	313	512	370
	Production	800	800	700	500	420	800	550
	Yield	227	243	201	216	228	266	253
Tamil Nadu	Area	185	193	200	85	103	142	160
	Production	550	550	500	300	375	550	550
	Yield	505	484	425	600	619	658	584
Others	Area	67	64	90	53	51	62	94
	Production	150	100	75	100	100	100	100
	Yield	381	266	142	321	333	274	181
All-India	Area	8791	8576	8730	7667	7630	8920	8850
	Production	14900	13100	14800	12450	16800	23100	22300
	Yield	288	260	288	276	374	440	428

Note: Production figures in the PSD include loose cotton estimates.

Table 4: Month End Prices of Popular Varieties
(Rupees per Metric Tons)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2004/05						
Aug	*48930*	*60180*	*61870*	*65520*	*71430*	*85790*
Sept	*41340*	*48930*	*53990*	*55680*	*64680*	*84360*
Oct	*40770*	*43590*	*48930*	*49770*	*59050*	*81550*
Nov	*37120*	*38520*	*43870*	*46680*	*54840*	*80430*
Dec	*35430*	*39930*	*43590*	*46120*	*54270*	*80700*
Jan	*34870*	*39370*	*42180*	*44710*	*54550*	*80140*
Feb	*33460*	*39930*	*41340*	*45270*	*53990*	*84360*
Mar	*34030*	*41340*	*43870*	*46960*	*56800*	*88580*
Apr	*35710*	*41900*	*44150*	*46120*	*57370*	*88580*
May	*37120*	*43310*	*44150*	*46400*	*57930*	*88580*
June	*35990*	*44150*	*44430*	*47240*	*57930*	*91390*
July	*36560*	*44150*	*44710*	*47810*	*57090*	*89990*
Avg Price	*37611*	*43775*	*46423*	*49023*	*58328*	*85371*
2005/06						
Aug	*35150*	*43030*	*43870*	*46680*	*56240*	*89430*
Sep	*35150*	*41620*	*44430*	*50620*	*53990*	*88580*
Oct	*36840*	*41900*	*46400*	*48650*	*53990*	*88580*
Nov	*40490*	*42740*	*47520*	*48930*	*57930*	*109670*
Dec	*39370*	*44150*	*47810*	*50620*	*63270*	*126540*
Jan	*37400*	*42460*	*47520*	*51180*	*62990*	*122330*
Feb 23	*36560*	*42740*	*46680*	*51180*	*62990*	*120920*

Source: East India Cotton Association, Mumbai