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India

Cotton and Products

Quarterly Lock-up Report

2005

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Report Highlights:
Post's raises its MY 2005/06 cotton production estimate to 23.6 million bales (170 kg) on improved yield prospects. Consumption and exports have been raised to 21.0 million bales and 1.5 million bales, respectively. Imports were lowered to 0.8 million bales on improved domestic supplies.

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 Prospects Improve on Favorable Weather

Post has revised its MY 2005/06 cotton production estimate higher to 23.6 million bales, on improved yield prospects due to favorable weather conditions and low pest incidence in the major cotton growing areas. Cotton planting is almost over, and the MY 2005/06 cotton area is estimated at 9.1 million hectares, based on provisional estimates from some state agricultural departments (see Table 4) and field sources. Early industry estimates for the upcoming crop are optimistically ranging between 23.0 to 26.0 million bales. The Cotton Advisory Board (CAB) is scheduled to meet on September 20, 2005, to produce the 'early season' PS&D estimates for the upcoming season.

India is heading toward a bumper cotton crop for the third consecutive year. Adequate and well-distributed monsoon rains from June through August established excellent planting conditions. Planting in the northern states of Punjab, Haryana, and Rajasthan was completed on schedule by the end of May. Cotton planting in rainfed central and southern India was almost over by the third week of August. Initial reports indicate an area shift toward cotton in Gujarat, Punjab, Rajasthan, and Madhya Pradesh. The gain in these states has been partially offset by lower cotton planting in Maharashtra, Haryana, and Andhra Pradesh.

The crop is progressing well under favorable weather and soil moisture conditions. Most cotton growing areas received good, well-scattered rains from July through early August, providing excellent soil moisture conditions for optimal plant growth. However, scanty rains in August in parts of Rajasthan, Maharashtra, Karnataka and Andhra Pradesh have created a slight moisture stress, and the crop requires one to two rains within the next few weeks. Post's field travel in the north indicates an almost negligible incidence of heliothis/bollworm and white fly infestation. However, the vegetative growth and fruiting is slightly lower than last year. There are no reports of heliothis/bollworm or other pest incidence in the central and south India cotton belts. Although precise figures are still not available, market sources report the continued increase in planting of new improved hybrids and Bt (*Bacillus thuringiensis*) varieties at the cost of traditional (lower yielding) varieties. Consequently, cotton yield prospects for the MY 2005/06 cotton crop have improved, as compared to Post's earlier expectation. Although it is too early to predict, should 'abnormal' winter rains occur in December, as happened last season, they may further boost the current MY 2005/06 production estimate.

2004/05 Production Revised Up Marginally

Post's MY 2004/05 production estimate has been revised higher to a record 24.2 million bales, based on the revised cotton pressing figures reported by the ginning industry in some states.

Domestic Prices Decline on Expected 'Big' Crop

With the expectations of a large upcoming crop, domestic cotton prices in August declined by two to four percent over the July-end levels (see table 5). Current prices of most staple varieties are hovering slightly above the MY 2005/06 minimum support prices (MSP). Prices are expected to go down further, as cotton arrivals begin in mid-September. Consequently, government parastatals like the Cotton Corporation of India and the State Marketing Federation will likely have to procure cotton via the MSP scheme in increased volumes compared to previous years. However, international price movements will largely guide prices during the season.

2005/06 Consumption Raised

Post's MY 2005/06 consumption estimate has been revised higher to 21.0 million bales, on expected increased mill consumption (estimated at 18.0 million bales, a nine percent increase over the previous year). This year's growth in consumption will be fueled by improved domestic supplies, expected low cotton prices, expected higher prices of man-made fiber and yarn, and the continued expansion of spinning capacities in the local textile industry. With the cotton prices expected to rule low, and man-made fiber and yarn prices expected to escalate on high raw material (petroleum) prices, industry sources expect higher usage of cotton vis-à-vis man made fiber and yarn. Industry sources report that about 750,000 new spindles came on line in 2004, and another one million new spindles will be added in 2005, all of which will further support higher consumption.

Exports Raised and Imports Lowered

Post has raised its estimate for MY 2005/06 exports to 1.5 million bales, and lowered MY 2005/06 imports to 0.8 million bales, both on improved domestic production. However, the trade volumes will depend on the relative prices of Indian vs. international cotton during the season. Imports will be largely limited to extra long staple and specialty cotton. Despite an enormous domestic surplus, exports will be constrained by quality issues and likely will be limited to neighboring markets and Far East countries. Industry sources expect the government to announce new incentives in order to liquidate the domestic surplus through exports.

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	7785000	7785000	9000000	9000000	9250000	9124000	(HECTARES)
Area Harvested	7785000	7785000	9000000	9000000	9250000	9124000	(HECTARES)
Beginning Stocks	780767	780767	884188	884188	1657117	1721403	METRIC TONS
Production	3004626	3004626	4049714	4114000	3701351	4012000	METRIC TONS
Imports	174181	174181	163295	163295	174181	136000	METRIC TONS
TOTAL SUPPLY	**3959574**	**3959574**	**5097197**	**5161483**	**5532649**	**5869403**	METRIC TONS
Exports	136079	136079	174181	174181	239499	255000	METRIC TONS
USE Dom. Consumption	2727147	2727147	3044899	3044899	3267397	3332000	METRIC TONS
Loss Dom. Consumption	212160	212160	221000	221000	238000	238000	METRIC TONS
TOTAL Dom. Consumption	2939307	2939307	3265899	3265899	3505397	3570000	METRIC TONS
Ending Stocks	884188	884188	1657117	1721403	1787753	2044403	METRIC TONS
TOTAL DISTRIBUTION	**3959574**	**3959574**	**5097197**	**5161483**	**5532649**	**5869403**	METRIC TONS

Note: Production figures for MY 2003, 2004, and 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	7785000	7785000	9000000	9000000	9250000	9124000	(HECTARES)
Area Harvested	7785000	7785000	9000000	9000000	9250000	9124000	(HECTARES)
Beginning Stocks	3586	3586	4061	4061	7611	7906	1,000 480lb bales
Production	13800	13800	18600	18895	17000	18427	1,000 480lb bales
Imports	800	800	750	750	800	625	1,000 480lb bales
TOTAL SUPPLY	18186	18186	23411	23706	25411	26958	1,000 480lb bales
Exports	625	625	800	800	1100	1171	1,000 480lb bales
USE Dom. Consumption	12526	12526	13985	13985	15007	15304	1,000 480lb bales
Loss Dom. Consumption	974	974	1015	1015	1093	1093	1,000 480lb bales
TOTAL Dom. Consumption	13500	13500	15000	15000	16100	16397	1,000 480lb bales
Ending Stocks	4061	4061	7611	7906	8211	9390	1,000 480lb bales
TOTAL DISTRIBUTION	18186	18186	23411	23706	25411	26958	1,000 480lb bales

Note: Production figures for MY 2003, 2004, and 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	3050	2950
	Production	3650	2050	3425	2600	3100	5200	4400
	Yield	191	113	195	158	191	290	254
Gujarat	Area	1516	1615	1687	1634	1647	1995	2100
	Production	2850	2400	3250	3050	5000	7200	7500
	Yield	320	253	328	317	516	614	607
Madhya Pradesh	Area	525	506	623	545	575	590	628
	Production	1550	1750	2000	1800	1950	1600	1700
	Yield	502	588	546	561	577	461	460
Punjab	Area	475	474	600	449	452	510	580
	Production	800	900	925	750	1100	1700	1900
	Yield	286	323	262	284	414	567	557
Haryana	Area	546	555	610	519	526	650	597
	Production	1050	1000	550	875	1150	1550	1400
	Yield	327	306	153	287	372	405	399
Rajasthan	Area	583	510	347	386	335	250	439
	Production	1300	1050	700	500	850	1050	1200
	Yield	379	350	343	220	431	714	465
Andhra Pradesh	Area	1040	1022	1002	803	825	1145	1050
	Production	2200	2500	2675	1975	2600	3250	3000
	Yield	360	416	454	418	536	483	486
Karnataka	Area	600	560	591	393	500	540	550
	Production	800	800	700	500	400	850	700
	Yield	227	243	201	216	136	268	216
Tamil Nadu	Area	185	193	200	85	103	180	150
	Production	550	550	500	300	350	500	500
	Yield	505	484	425	600	578	472	567
Others	Area	67	64	90	53	56	90	80
	Production	150	100	75	100	100	100	100
	Yield	381	266	142	321	304	189	213
All-India	Area	8791	8576	8730	7667	7785	9000	9124
	Production	14900	13100	14800	12450	16600	23000	22400
	Yield	288	260	288	276	362	434	417

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

Table 4: MY 2005/06 Cotton Planting by August 4, 2005 vis-a-vis Last Year
(Figures in '000 hectares)

State	**MY 2005/06** (Aug 4, 2005)	**MY 2004/05** (Aug 4, 2004)
Maharashtra	2,807	2,960
Gujarat	2,035	1,771
Madhya Pradesh	628	586
Punjab	580	510
Haryana	597	650
Rajasthan	439	250
Andhra Pradesh	940	1,096
Karnataka	185	305
Tamil Nadu	36	55
Others	70	29
Total	**8,317**	**8,212**

Source: Directorate of Cotton Development, Ministry of Agriculture.

Table 5: Month End Prices of Popular Varieties
(Rupees per Metric Tons)

2003/04						
Aug	39090	60460	61580	63540	68900	87560
Sept	37970	59060	63820	65520	70300	87180
Oct	39090	60460	61580	63540	68900	87560
Nov	37110	55960	58220	61320	65540	87990
Dec	39630	57920	61300	63840	66100	85750
Jan	42740	62420	64940	67480	71410	91390
Feb	43860	59050	62980	66080	70290	88590
Mar	44420	59900	62140	66640	70290	85790
Apr	43590	59900	62140	65800	71700	85790
May	44430	61580	62710	67490	71700	85790
Jun	45560	59060	62150	65800	71710	85790
Jul	48370	60740	62710	66370	71710	85790
Avg Price	42155	59709	62189	65285	69879	87081
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

Source: East India Cotton Association, Mumbai.