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Voluntary - Public

Date: 2/7/2019

GAIN Report Number: IN9003

India

Post: New Delhi

Cotton and Products Update December 2018

Report Categories:

Cotton and Products

Approved By:

Tiffany Landry

Prepared By:

Dhruv Sood

Report Highlights:

FAS Mumbai estimates marketing year (MY) 2018/19 production at 27.8 million 480-lb bales. Cotton harvesting operations are underway across the country. The pace of cotton arrivals in the market is slow due to many regions replanting cotton, thus delaying the harvest. Exports of raw cotton and cotton yarn remains strong as demand from neighboring countries support shipments.

Production, Supply, Distribution – Cotton – India

	2016/2017		2017/2018		2018/2019	
Begin Market Year	August 2016		August 2017		August 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	10,850	10,850	12,400	12,450	12,400	12,350
Beginning Stocks	7,044	7,044	7,880	7,860	8,675	9,337
Production	27,000	27,000	29,000	29,000	27,500	27,800
Imports	2,736	2,736	1,677	1,677	1,600	1,500
MY U.S. Imports	-	-	-	-	-	-
Total Supply	36,780	36,780	38,557	38,537	37,775	38,637
Exports	4,550	4,520	5,182	5,200	4,400	4,300
Use	24,350	24,400	24,700	24,000	25,300	25,300
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,350	24,400	24,700	24,000	25,300	25,300
Ending Stocks	7,880	7,860	8,675	9,337	8,075	9,037
Total Distribution	36,780	36,780	38,557	38,537	37,775	38,637
Stock to Use (b)	27	27	29	32	27	31
Yield (c)	542	542	509	507	483	490

Figures in Thousand 480-lb Bales,
Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares

Production:

Cotton harvesting underway across India

FAS Mumbai estimates marketing year (MY) 2018/19 production at 27.8 million 480-lb bales (35.6 million 170-kilogram bales/6 MMT), which is 300,000 480-lb bales higher than the official USDA estimate. Re-sowing of the cotton crop across major cotton growing regions, due to very dry weather conditions during the monsoon, delayed the cotton harvest. This is reflected in the low pace of arrivals in the market yards. However, cotton harvesting is underway across India as yield per harvested hectare is estimated at 490 kilograms, marginally higher than the official USDA estimate.

The number of pickings across the states is expected to be limited to between two to three, as the government has issued advisories to farmers to restrict irrigation which will prevent further crop development and additional pickings. This is intended to limit the impact of the pink bollworm infestation.

The harvesting of matured cotton bolls is in progress in the northern state of Haryana. In the central

state of Maharashtra, cotton crop is at boll maturity stage, and harvesting is in progress. There are reports of incidence of pink bollworm infestation above the economic threshold levels (ETL) in Wardha district in eastern Maharashtra. Farmers have been advised to uproot the cotton plants and destroy them by burning them, then carryout deep ploughing operations once the picking of cotton is completed. Additionally, farmers are advised to avoid further extended growth after multiple pickings. The remaining plant parts should be collected and destroyed properly after the final picking.

Similarly, in Gujarat, the farmers are being advised to pick mature cotton bolls, and to pull out the cotton stalk. Additionally, farm animals should be allowed to graze on unopened bolls and plant debris in cotton fields after the last picking to prevent infestation in subsequent years.

In Madhya Pradesh, farmers are advised to continue timely and clean picking of open bolls of cotton, to realize a good market value for the crop. In Karnataka, while picking of matured bolls is underway, the late sown cotton is in boll development stage so spraying of insecticide to control mealybugs is advised. In Odisha, the cotton crop is at boll maturity and boll bursting stage.

In the majority of cotton growing areas the seed cotton is nearing completion. Farmers have been advised not to irrigate the crop, which leads to new growth, fewer flowers and bolls. Extending the crop cycle will lead to the build-up of pest and diseases, affecting the upcoming regular cotton crop in the next season.

Slow arrivals in the market keep prices in check

On December 15, 2018, MY 2018/19 cotton arrivals, as reported by the Cotton Corporation of India (CCI), reached 5.9 million 480 lb. bales (7.5 million 170 kg bales/1.3 MMT). The arrivals data is lower by 17 percent as compared to last year. For MY 2018/19, total arrivals as a percentage of the Cotton Advisory Board (CAB) production estimate were 21 percent as of December 15, 2018. Seed cotton prices of highly traded Shankar 6 (B) 30 mm variety continue to be above the minimum support price (MSP), but have fallen by four percent in the past two months.

Consumption and stock data goes dark

The Textile Commissioner Office (TCO) has removed the information on cotton and cotton yarn consumption and stocks from its [website](#). There is no clarity on whether the information will be publicly available in the future. The consumption and stock data was previously used for analysis, and may affect future comprehensive reporting.

Trade:

FAS Mumbai estimates MY 2018/19 exports at 4.3 million 480-lb bales (5.5 million 170-kg bales/936,000 MT), which is 100,000 480 lb bales lower than the official USDA estimate. Exports from August to October were higher than the five-year moving average, supported by the strengthening of the Indian currency, which also elevated exports into November (refer to Table 3). However, as the currency has weakened by five percent in December and cotton arrivals have remained slow, prospects for strong exports to continue remain weak. Shipments of raw cotton in November to Pakistan and Bangladesh were 60 percent of the total exports. Other major export destinations were China, Vietnam and Indonesia. In November, China and Bangladesh remained the top exports markets for Indian cotton yarn.

FAS Mumbai estimates MY 2018/19 imports at 1.5 million 480-lb bales (1.9 million 170-kg bales/326,000 MT), which is the 100,000 480 lb bales lower than the official USDA estimate.

Preliminary trade data published by Ministry of Commerce indicates that while the volume of overall imports declined in November, the share of imports from United States and Australia remained strong, followed by shipments from Bangladesh and Tanzania. As cotton arrivals pick up, imports volumes are expected to decline, as domestic supplies are available to the mills.

Policy:

Government revises Rates of Duty Drawback to facilitate exports

On December 6, 2018, the Ministry of Finance issued a notification revising the rates of drawback, which will be effective December 19, 2018. The Duty Drawback scheme allows for the refund of the customs duty and excise duty on imported and domestic inputs used in the manufacture of exported products, at a specified percentage of the Free on Board (FOB) value of exports or the rate per unit quantity of the exported goods. The Government has increased the drawback rates for cotton yarn, cotton fabric and made-ups, while decreasing the rates on a few apparel items. This action is taken to incentivize exports of textile products. For more details, please refer to Customs Notification [95/2018-Cus \(NT\) d.t 06.12.2018](#).

Table 1a. India: Estimate of 2017/18 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,481	13,342	61,279
October Exports 1\	67,155	11,416	52,435
November Exports 1\	547,000	92,990	427,100
December Exports 1\	1,032,618	175,545	806,272
January Exports 1\	934,086	158,795	729,338
February Exports 1\	830,966	141,264	648,821
March Exports 1\	887,481	150,872	692,948
April Exports 1\	823,273	139,956	642,815
May Exports 1\	569,878	96,879	444,963
June Exports 1\	493,862	83,957	385,609
July Exports 1\	280,885	47,750	219,316
Total	6,632,347	1,127,499	5,178,562

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

Table 1b. India: Estimate of 2018/19 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	192,083	32,654	149,979
September Exports 1\	96,376	16,384	75,251
October Exports 1\	228,609	38,863	178,499
November Exports 2\	641,176	109,000	500,633
Preliminary Total (Aug-Nov)	1,158,244	196,901	904,361

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

2\ FAS Analysis

Table 2a. India: Estimate of 2017/18 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,606	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,806	10,167	46,697
January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 1\	212,332	36,096	165,789
May Imports 1\	198,388	33,726	154,902
June Imports 1\	217,112	36,909	169,522
July Imports 1\	182,847	31,084	142,768
Total	2,147,325	365,045	1,676,640

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

2\ FAS Analysis

Table 2b. India: Estimate of 2018/19 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	153,248	26,052	119,656
September Imports 1\	134,210	22,816	104,792
October Imports 1\	87,296	14,840	68,161
November Imports 2\	62,000	10,540	48,410
Preliminary Total (Aug-Nov)	436,754	74,248	341,019

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

2\ FAS Analysis

Table 3: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	93	113	94	117	66	79	108
Sep	65	108	98	112	77	99	98
Oct	76	119	101	106	76	98	99
Nov	87	106	125	105	103	111	98**
Dec	108	113	125	115	173	116	
Jan	99	131	113	104	132	87	
Feb	102	108	119	100	107	95	
Mar	107	117	122	112	89	118	
Apr	80	94	104	105	66	106	
May	95	93	99	94	65	109	
Jun	103	76	103	92	78	117	
Jul	111	87	118	75	71	101	
TOTAL	1,126	1,266	1,321	1,237	1,102	1,236	

*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

** Provisional estimate

Table 4: India's Cotton Fabric* Exports by Month
(Figures in thousand square meters)

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	77,093	78,908	92,491	101,473	114,071	107,441	147,670
Sep	72,827	101,017	98,636	103,974	104,661	123,563	126,496
Oct	70,553	101,327	108,182	117,801	105,404	109,572	142,180
Nov	66,084	85,897	103,471	95,082	87,723	118,218	
Dec	75,412	100,335	105,335	120,598	111,894	132,634	
Jan	74,008	91,169	93,192	116,656	107,512	125,357	
Feb	65,141	87,377	96,586	107,487	115,131	113,085	
Mar	75,329	98,696	105,169	120,461	112,033	133,115	
Apr	65,683	88,629	86,833	109,559	94,314	114,617	
May	65,469	81,581	103,443	103,401	89,070	119,819	
Jun	67,760	94,572	103,909	97,017	93,372	122,381	
Jul	78,547	87,284	97,115	98,890	94,399	113,613	
TOTAL	853,906	1,095,904	1,194,361	1,292,397	1,229,584	1,433,457	

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce