

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### Cotton and Products Update June 2019

**Report Categories:**

Cotton and Products

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**Report Highlights:**

FAS Post estimates India's marketing year (MY) 2019/20 cotton production at 29.3 million 480 lb. bales (37.5 million 170-kilogram bales/6.4 MMT) with a planting area of 12.5 million hectares. Planted area for *Kharif* 2019 season in Northern India is 18 percent higher than last year, prompted by high domestic seed cotton prices. Last week, local markets reacted to the Cotton Advisory Board revisions of its MY 2018/19 estimates. Raw cotton exports remain sluggish due to weak global demand, which is also reflected in limited purchases by mills.

**General Information:**

Cotton	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	12,450	12,586	12,250	12,607	12,350	12,500
Beginning Stocks	7,880	7,880	9,225	9,247	7,775	8,247
Production	29,000	28,890	26,000	26,500	28,500	29,300
Imports	1,677	1,677	1,550	1,200	1,400	1,400
MY U.S. Imports	-	-	-	-	-	-
Total Supply	38,557	38,447	36,775	36,947	37,675	38,947
Exports	5,182	5,200	4,200	3,900	4,800	5,000
Use	24,150	24,000	24,800	24,800	25,300	25,300
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,150	24,000	24,800	24,800	25,300	25,300
Ending Stocks	9,225	9,247	7,775	8,247	7,575	8,647
Total Distribution	38,557	38,447	36,775	36,947	37,675	38,947
Stock to Use (b)	31	32	27	29	25	29
Yield (c)	507	500	462	458	502	510
Figures in Thousand 480-lb Bales, Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares						

**Area and Production**

FAS Post estimates India's marketing year (MY) 2019/20 cotton production at 29.3 million 480 lb. bales (37.5 million 170-kilogram bales/6.4 MMT) with a planted area of 12.5 million hectares. The onset of southwest monsoon was delayed by a week to June 8, 2019. However, the rapid pace of advance of the monsoon towards the rest of the country is expected to lead to favorable rains. Post estimates the nationwide average yield for MY 2019/20 around 510 kilograms per hectare, above average historical yield levels.

According to the planting progress reports for the *Kharif* 2019 season published by the Ministry of Agriculture and Farmers Welfare (MOAFW), cotton planted area in Northern India is 18 percent higher than the same period last year. The states of Punjab (41 percent), Rajasthan (31 percent) and Haryana (2 percent) have all witnessed increased acreage due to rising average wholesale prices for seed cotton which are currently 16 percent higher than last year. Sowing is underway in Central and Southern India and will likely accelerate as the southwest monsoon advances towards states in these regions. In

addition, the recent cyclonic storm ‘Vayu’ provided much needed rainfall in Western India especially in cotton growing districts of Gujarat. The national government has issued advisories for farmers to continue weeding in farms which are traversing the cotton crop’s early growth stage. Land preparation is underway in Central and Western Maharashtra as farmers are being advised to plant corn, marigold, cowpea and sorghum as perimeter trap crops. Farmers are also advised to procure government approved seed varieties and plant non-Bt cotton around the perimeter as a trap crop for bollworm. In Gujarat, farmers have been advised to adopt various inter-cropping systems such as cotton-sesame, cotton-groundnut and cotton-maize as a risk management technique to address disease and soil fertility issues.

According to MOAFW, the share of area planted under Bt cotton in MY 2019/2020 is 91.2 percent as compared to 91.1 percent in MY 2018/19 and a normal five-year average of 89.5 percent. Farmers continue to plant Bt cotton despite increasing bollworm resistance to the Bt gene, which has occurred in various instances across states in the past few years.

According to local media reports, farmers are planting herbicide tolerant (HT) Bt cotton seeds across certain districts in the central region (Marathwada) in the state of Maharashtra. The herbicide tolerant Bt cotton is an unapproved event, and commercial planting of this hybrid is illegal. Farmers are continuing to plant HT cotton as it helps them avert manual weeding, which otherwise would require farmers to hire laborers to perform the same work leading to additional costs. In MY 2017/18, few incidences of cultivation of non-approved Herbicide Tolerant (HT) cotton were reported in the states of Andhra Pradesh, Gujarat, Telangana and Maharashtra. Since then the state governments have taken appropriate necessary action to curb and control the spread of HT Cotton.

### **Arrivals**

On June 13, 2019, as reported by the Cotton Corporation of India (CCI), MY 2018/19 cotton arrivals reached 23.6 million 480-lb. bales (30.2 million 170-kilogram bales/5.1 MMT). CCI reported arrivals constitute 90 percent of the total production estimate of the Cotton Advisory Board (CAB). The market arrivals reported by the local trade are five percent higher than CCI. The pace of arrivals are expected to remain slow as farmers prepare for cotton planting for the new season, delaying arrivals in the market. Historically, CCI market arrivals from June to September average around 2 million 480 lb. bales (2.6 million 170-kilogram bales) based on a ten-year average, and around 2.4 million 480 lb. bales (3.1 million 170-kilogram bales) based on the five-year average.

### **Cotton Advisory Board revises MY 2017/18 and 2018/19 estimates**

On June 18, 2019, the Cotton Advisory Board (CAB) under the Ministry of Textiles finalized its MY 2017/18 estimates and revised its MY 2018/19 estimates. MY 2018/19 production is estimated at 26.3 million 480 lb. bales (33.7 million 170-kilogram bales/ 5.7 MMT) on an area of 12.6 million hectares. CAB estimates the MY 2018/19 national cotton yield at 454 kilogram per hectare as compared to Post yield estimate of 459 kilogram per hectare. The CAB production estimate is 200,000 480 lb. bales lower than Post estimate, but 300,000 480 lb. bales higher than official USDA estimate. Post has accepted the final MY 2017/18 area and production estimates of CAB in its balance-sheet. Post has also accepted the final MY 2018/19 area estimates and made the revisions accordingly.

### **Marginal increase in minimum support price (MSP) expected**

Trade sources indicate that the minimum support price (MSP) for cotton may be marginally increased (between 1-2 percent) as compared to last year (26-28 percent increase) as significant increases in MSP

would likely overprice Indian cotton in the global markets. The government is also exploring various alternative models to support farmers including an income support scheme and price deficiency payment (which was piloted in the state of Madhya Pradesh in 2017 as Bhavantar Bhugtaan Yojana for soybeans and pulses).

### **Consumption**

FAS Post estimates MY 2019/20 cotton consumption at 25.3 million 480 lb. bales (32.4 million 170-kilogram bales/5.5 MMT), the same as USDA's official estimate. Post anticipates cotton and cotton yarn prices will remain affordable as mills will have ample fiber supplies (domestic and imports) to cater to both the domestic and export markets. Average domestic wholesale cotton prices have fallen marginally by 1 percent from last month. However, Indian ex-gin prices are much higher than Cotlook A-Index, prompting mills to augment their requirements with imports. With high and volatile raw cotton prices, mills are reluctant to make larger purchases of domestic cotton for inventory purposes for extended periods.

### **Trade**

FAS Post estimates MY 2019/20 exports at 5.0 million 480-lb bales (6.4 million 170-kilogram bales/1.1 MMT). The prospects of a larger crop would allow India to export this large surplus, thus meeting the demand of neighboring countries. FAS Mumbai estimates MY 2018/19 exports at 3.9 million 480-lb bales (5.0 million 170-kilogram bales/849,000 MT), 300,000 480-lb bales lower than the official USDA estimate. Year-to-date MY 2018/19 exports are down 11 percent compared to last year due to India's elevated cotton prices on the world market. Preliminary data published by the Ministry of Commerce indicates that shipments in the month of April 2019 are 70 percent lower as compared to last year. The weaker demand is reflected in the slower shipments across major export markets which include China, Bangladesh, Pakistan and Vietnam. Similarly, cotton yarn exports have also slowed down due to poor overseas demand especially in China, where cotton consumption has weakened. China, Bangladesh, Egypt and Pakistan are the top export markets for cotton yarn. However, cotton fabric exports are witnessing strong positive growth supporting the cotton sector. Bangladesh, Sri Lanka, South Korea and Senegal are the top export markets for cotton fabrics.

FAS Post estimates MY 2019/20 imports at 1.4 million 480 lb. bales (1.8 million 170-kilogram bales / 305,000 MT), the same as USDA's official estimate. MY 2018/19 imports are estimated at 1.2 million 480 lb. bales (1.5 million 170-kilogram bales/ 261,000 MT). Shipments from the United States and Egypt continue to drive up bulk import volumes. Imports are expected to continue to remain firm as domestic prices prompt mills to source cotton from foreign origins.

### **Stocks**

The beginning stock for MY 2019/20 is estimated at 8.2 million 480 lb. bales (10.6 million 170 kg bales/1.8 MMT). This stock level adjusted for the Indian marketing year (Oct/Sep) is roughly equivalent to 4.6 million 480 lb. bales (6 million 170 kg bales/1 MMT).

**Table 1: India's Kharif 2018 Cotton Sowing Position (area in hectares)**

State	2019/20 as of June 14, 2019	2018/19 as of June 14, 2018	Normal Area**	Y-o-Y Change	Change from Normal
Andhra Pradesh	3,400	6,000	25,400	-43%	-87%
Telangana	-	170,000	141,800	-100%	-100%
Gujarat	40,000	47,900	190,700	-16%	-79%
Haryana	672,000	656,000	566,800	2%	19%
Karnataka	42,000	113,000	119,600	-63%	-65%
Madhya Pradesh	-	109,000	92,400	-100%	-100%
Maharashtra	-	11,900	117,700	-100%	-100%
Odisha	-	10,200	6,600	-100%	-100%
Punjab	401,000	284,000	409,800	41%	-2%
Rajasthan	345,000	263,900	238,200	31%	45%
Tamil Nadu	2,200	2,400	2,000	-8%	10%
Others	26,200	17,200	23,100	52%	13%
All India	<b>1,531,800</b>	<b>1,691,500</b>	<b>1,934,100</b>	<b>-9%</b>	<b>-21%</b>

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

\*\* Normal Area is the five-year average during 2014 through 2018

**Table 2. India: State-wise monthly wholesale prices for cotton in June 2019 (Prices in Indian Rupees per 100 kilograms)**

State	Prices June, 2019	Prices May, 2019	Prices June, 2018	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	6,031	5,880		2.57%	
Gujarat	5,772	5,771	5,292	0.01%	9.06%
Haryana	6,325	6,314	5,624	0.17%	12.47%
Karnataka	5,998	6,158	4,861	-2.60%	23.40%
Madhya Pradesh	5,781	5,843	4,836	-1.07%	19.53%
Maharashtra	6,254	6,246	4,939	0.13%	26.61%
Odisha	-	5,000	-	-	-
Punjab	4,575	4,929	-	-7.18%	
Rajasthan	-	1,840	-	-	-
Tamil Nadu	6,631	6,472	5,475	2.45%	21.11%
Telangana	5,737	5,898	5,103	-2.73%	12.43%

<b>Average</b>	<b>6,018</b>	<b>5,958</b>	<b>5,164</b>	<b>1.00%</b>	<b>16.53%</b>
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Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare

**Table 3a. India: Estimate of 2017/18 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,481	13,342	61,279
October Exports 1\	70,773	12,031	55,260
November Exports 1\	564,847	96,024	441,035
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\	499,588	84,930	390,080
July Exports 1\	280,885	47,750	219,316
<b>Total</b>	<b>6,659,538</b>	<b>1,132,121</b>	<b>5,199,793</b>

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

**Table 3b. India: Estimate of 2018/19 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
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 1\	653,622	111,116	510,351
December Exports 1\	901,197	153,204	703,658
January Exports 1\	689,854	117,275	538,640
February Exports 1\	546,359	92,881	426,599
March Exports 1\	703,311	119,563	549,148
April Exports 2\	223,529	38,000	174,533
<b>Preliminary Total (Aug-Apr)</b>	<b>4,234,941</b>	<b>719,940</b>	<b>3,306,658</b>

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

2\ FAS Analysis

**Table 4a. India: Estimate of 2017/18 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,605	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,805	10,167	46,696
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\	217,114	36,909	169,524
July Imports 1\	182,849	31,084	142,770
<b>Total</b>	<b>2,147,329</b>	<b>365,046</b>	<b>1,676,643</b>

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

**Table 4b. India: Estimate of 2018/19 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
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 1\	57,035	9,696	44,533
December Imports 1\	59,322	10,085	46,319
January Imports 1\	86,485	14,702	67,528
February Imports 1\	85,275	14,497	66,583
March Imports 1\	151,137	25,693	118,008
April Imports 2\	176,471	30,000	137,789
<b>Preliminary Total (Aug-Apr)</b>	<b>990,479</b>	<b>168,381</b>	<b>773,370</b>

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

2\ FAS Analysis

**Table 5: 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	97
Nov	87	106	125	105	103	111	95
Dec	108	113	125	115	173	116	92
Jan	99	131	113	104	132	87	91
Feb	102	108	119	100	107	95	100
Mar	107	117	122	112	89	118	117
Apr	80	94	104	105	66	106	90**
May	95	93	99	94	65	109	
Jun	103	76	103	92	78	117	
Jul	111	87	118	75	71	101	
<b>TOTAL</b>	<b>1,126</b>	<b>1,266</b>	<b>1,321</b>	<b>1,237</b>	<b>1,102</b>	<b>1,236</b>	

\*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

\*\* Provisional estimate

**Table 6: 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	119,191
Dec	75,412	100,335	105,335	120,598	111,894	132,634	132,016
Jan	74,008	91,169	93,192	116,656	107,512	125,357	136,852
Feb	65,141	87,377	96,586	107,487	115,131	113,085	135,721
Mar	75,329	98,696	105,169	120,461	112,033	133,115	162,70



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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	
<b>TOTAL</b>	<b>853,906</b>	<b>1,095,904</b>	<b>1,194,361</b>	<b>1,292,397</b>	<b>1,229,584</b>	<b>1,433,457</b>	

\*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce