

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Cotton and Products

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Report Highlights:

India's 2013/14 cotton production is forecast 400,000 480 lb bales lower at a still-record 28.6 million 480 lb bales (36.6 million 170 kg bales/6.2 mmt). Heavy rains in the major producing state of Gujarat are expected to affect yields, but prospects in Maharashtra and Madhya Pradesh are better than initially forecast.

Cotton India	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	12,200	12,200	11,800	11,800	12,000	11,700
Beginning Stocks	11,174	10,964	9,444	9,084	8,144	6,374
Production	27,500	27,500	26,500	26,500	29,000	28,600
Imports	600	400	1,300	1,190	1,500	1,500
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	39,274	38,864	37,244	36,774	38,644	36,474
Exports	11,080	11,080	7,600	7,700	7,000	7,000
Use	19,750	19,700	22,500	22,700	23,000	23,000
Loss	-1,000	-1,000	-1,000	0	-750	0
Total Dom. Cons.	18,750	18,700	21,500	22,700	22,250	23,000
Ending Stocks	9,444	9,084	8,144	6,374	9,394	6,474
Total Distribution	39,274	38,864	37,244	36,774	38,644	36,474

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

Area and Production Estimated Lower

On September 27, the Ministry of Agriculture indicated that area planted to cotton had reached 11.4 million hectares compared to 11.6 million hectares a year ago. With some planting still expected in southern India, planted area is estimated at 11.7 million hectares, 100,000 hectares below the most recent FAS Mumbai estimate and 300,000 hectares lower than the USDA Washington estimate.

A month ago, we indicated that the FAS Mumbai 2013/14 production forecast of 29 million 480 lb bales was tempered by the expectation of at least one late-season weather event that would affect yields. That event has come sooner, and perhaps larger, than expected as the monsoon has dumped unusually heavy amounts of late rain over areas of Gujarat and Maharashtra. Government of India rainfall data suggests that rainfall amounts (75.3 mm in Gujarat vs. normal rains of 29.4) might have been helpful as conditions had been dry for few weeks in Gujarat. However, Government of India data appears to be averaged over a large area, which can mask the intensity of localized showers. More specific rainfall data provided by USDA Washington analysts suggests that the western part of Gujarat's cotton belt received exceptionally heavy rains just as bolls are maturing.

FAS Mumbai has traveled to Madhya Pradesh, Maharashtra over the past month and surveyed a wide range of trade contacts over the past few days in an effort to gauge the effects of the rains in Gujarat.

In Madhya Pradesh, despite heavy rains during much of the monsoon, field travel suggested that rains

have not been as deleterious for yields as suggested in our August report. Consequently, production in Madhya Pradesh is estimated 300,000 170 kg bales higher than a month ago.

In Maharashtra, field travel again pointed to higher yields than we expected a month ago. However, cotton area, especially in the important Vidarbha region appears to have shifted to soybean. Consequently, area is down, production is unchanged, and yields are up.

Opinions vary widely about the extent of the damage, if any, in Gujarat. Many people are still conducting field surveys to assess the damage. The Ministry of Agriculture is encouraging farmers to focus on weeding operation, remove of water where possible and expect a delay in harvest. FAS Mumbai has learned the following about the state of the crop in Gujarat.

- In areas where rains were the hardest, initial surveys suggest that plants lost up to 25 percent of their bolls. However, it is important to note that in areas where rains were not as severe, rains were viewed as beneficial for crop development.
- There is still time for plants to develop new bolls and the Indian crop often undergoes multiple pickings. Late rains and good soil moisture are expected to promote improved second and third pickings for damaged plants and especially plants that benefited from the rains.
- In addition to lost bolls, leaves were damaged in areas where rains were the heaviest suggesting that photosynthesis could be hampered, thereby offsetting, at least in localized areas, the benefits of improved soil moisture.
- Soil conditions across much of the area in Gujarat where rains were heaviest are such that excess water tends to run off, minimizing damage from water logging.

Weighing the offsetting effects of improved soil moisture, beneficial rains, and stronger additional pickings against localized leaf damage and lost bolls, FAS Mumbai estimates production in Gujarat 500,000 170 kg bales lower. Production in the north is also estimated slightly lower due to concerns about white fly and farmers' ability to control the insects this year. Total production is estimated 400,000 480 lb bales lower at 28.6 million bales.

Arrivals to be Delayed and CCI Stocks Almost Gone

Arrivals typically are expected by mid October but with onset of late rains in Gujarat and Maharashtra, arrivals are expected to be delayed by a couple of weeks. The Cotton Corporation of India (CCI) has sold 2.05 million 170 kg bales of 2.3 million 170 kg bales and is expected to continue to liquidate the remaining 250,000 170 kg bales of unsold stocks by end of October. Cotton prices remain high and CCI is profiting from its sales.

Consumption

The Textile Commissioners office has finalized monthly cotton consumption estimates for MY 2012/13. Consumption is estimated at 29 million 170 kg bales (22.7 million 480 lb bales/ 4.9 mmt). Tight supplies and delayed arrivals have pushed local ex-gin cotton prices over the \$1.0 per pound

mark, well above global prices. Spinning margins are down, but spinners continue to produce to meet Chinese and domestic demand.

Trade

For MY 2012/13, India's cotton exports have been revised to 7.7 million 480 lb bales up from previous month's estimate of 7.6 million 480 lb bales. Exports in September have been very sluggish due to low demand from China. Trade sources indicate that several export commitments have been signed for the new crop delivery between November and January for the amount of 1.5 million 170 kg bales (1.7 million 480 lb bales / 255,000 mt) with China and several South East Asian nations as the potential shipment destinations.

The new textile commissioner had announced a proposed export duty on raw cotton exports for MY 2013/14 over and above any exportable surplus. However, the Cotton Advisory Board (CAB) which reviews the Indian cotton balance-sheet has not met since April and not provided a forecast for the next season thus no exportable surplus quantitative limit has been decided yet. But the Government has issued a notification withdrawing some incentives on cotton exports. On September 25, 2013 Government of India issued a [notification](#) stating that any incentives on exports of cotton, and cotton yarn under the Focus Market Scheme (FMS) have been withdrawn effective immediately. The FMS is designed for offsetting high freight cost and other externalities to select international markets with a view to enhance India's export competitiveness in these countries. Under the scheme exporters were entitled for a Duty Credit Scrip equivalent to 4 percent of FOB value of exports. The withdrawal of the scheme will directly affect the exporter margins but cotton yarn exports are expected to remain robust in MY 2013/14 season. Cotton yarn export registrations in August 2013 were 26 percent higher compared to last year.

Table 1a: Estimate of 2012/13 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	56,894	9,672	44,423
September Exports 1\	104,912	17,835	81,916
October Exports 1\	160,506	27,286	125,324
November Exports 1\	767,165	130,418	599,005
December Exports 1\	1,836,812	312,258	1,434,190
January Exports 1\	2,375,871	403,898	1,855,089
February Exports 1\	2,163,959	367,873	1,689,627
March Exports 1\	1,202,359	204,401	938,806
April Exports 1\	340,841	57,943	266,130
May Exports 1\	276,553	47,014	215,934
June Preliminary Exports 1\	341,071	57,982	266,309
July Estimated Exports 2\	290,000	49,300	226,433
Preliminary Total Aug-Jul	9,916,943	1,685,880	7,743,186

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

2\ FAS Mumbai estimate

Table 1b: Estimate of 2013/14 Cotton Exports

	170 kg	Metric Tons	480 lb
August Estimated Exports 2\	240,000	42,500	195,201
September Estimated Exports 2\	115,000	19,550	89,792
Preliminary Total Aug-Sep	355,000	62,050	284,993

2\ FAS Mumbai estimate

Table 2a: Estimate of 2012/13 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	62,935	10,699	49,140
September Imports 1\	203,265	34,555	158,710
October Imports 1\	313,253	53,253	244,589
November Imports 1\	213,159	36,237	166,435
December Imports 1\	104,247	17,722	81,397
January Imports 1\	61,194	10,403	47,781
February Imports 1\	45,541	7,742	35,559
March Imports 1\	55,976	9,516	43,707
April Imports 1\	74,159	12,607	57,903
May Imports 1\	79,900	13,583	62,386
June Preliminary Imports 1\	142,641	24,249	111,375
July Estimated Imports 2\	170,000	28,900	132,737
Preliminary Total Aug-Jul	1,526,270	259,466	1,191,719

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

2\ FAS Mumbai estimate

Table 2b: Estimate of 2013/14 Cotton Imports

	170 kg	Metric Tons	480 lb
August Estimated Imports 2\	100,000	17,000	78,080
September Estimated Imports 2\	87,000	14,790	67,930
Preliminary Total Aug-Sep	187,000	31,790	146,010

2\ FAS Mumbai estimate

Table 3: Monthly Cotton Consumption by the Textile Sector
(Million 170 kg bales)

Month	2009/10	2010/11	2011/12	2012/13
Aug	1.859	2.173	1.864	2.207
Sep	1.829	2.143	2.170	2.146
Oct	1.812	2.209	1.776	2.185
Nov	1.847	2.110	1.834	2.109
Dec	1.949	2.257	2.013	2.264
Jan	1.954	2.210	2.033	2.330
Feb	1.881	2.023	2.030	2.224
Mar	2.001	2.176	2.038	2.361
Apr	2.053	2.017	2.031	2.324
May	2.093	1.864	2.128	2.274
Jun	2.071	1.823	2.117	2.268
Jul	2.211	1.900	2.213	2.376
Loss*	1.700	1.338	1.000	2.000
Total	25.260	26.243	25.247	29.068

Source: Textile Commissioner

*Loss estimate from the Cotton Advisory Board

Table 4: Cotton Yarn Export Registration Data

Month	Quantity	Month	Quantity	Month	Quantity
	(Million kg)		(Million kg)		(Million kg)
Aug-11	97.734	Aug-12 (P)	83.055	Aug-13 (P)	104.913
Sep-11	77.157	Sep-12 (P)	64.269		
Oct-11	43.69	Oct-12 (P)	94.462		
Nov-11	76.362	Nov-12 (P)	100.769		
Dec-11	83.005	Dec-12 (P)	100.778		
Jan-12	79.148	Jan-13 (P)	117.143		
Feb-12	60.518	Feb-13 (P)	103.955		
Mar -12 (P)	64.227	Mar-13 (P)	88.685		
Apr -12 (P)	62.811	Apr-13 (P)	115.960		
May -12 (P)	74.455	May -13 (P)	90.152		
Jun -12 (P)	82.419	Jun-13 (P)	142.297		
Jul -12 (P)	94.507	July-13 (P)	139.745		
Total	896.033	Total	1,241.270		

(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell

Estimated Monthly Stock Position

Tables 5 and 6 provide an estimate of India's 2012/13 monthly cotton stock position on the respective USDA and Indian marketing years using USDA's (or a close approximation) of USDA's beginning stock estimate and the Cotton Advisory Board's beginning stock estimate.

Table 5: Monthly Stock Position
August/July Marketing Year -- 170 kg bales

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Aug-12	12,095,000	-	62,935	12,157,935	2,207,000	56,894	166,667	9,727,374
Sep-12	9,727,374	-	203,265	9,930,639	2,146,000	104,912	166,667	7,513,061
Oct-12	7,513,061	869,000	313,253	8,695,314	2,185,000	160,506	166,667	6,183,141
Nov-12	6,183,141	3,100,000	213,159	9,496,300	2,109,000	767,165	166,667	6,453,468
Dec-12	6,453,468	4,828,000	104,247	11,385,715	2,264,000	1,836,812	166,667	7,118,237
Jan-13	7,118,237	8,199,000	61,194	15,378,431	2,330,000	2,375,871	166,667	10,505,893
Feb-13	10,505,893	3,595,000	45,541	14,146,434	2,224,000	2,163,959	166,667	9,591,808
Mar-13	9,591,808	4,872,000	55,976	14,519,784	2,361,000	1,202,359	166,667	10,789,759
Apr-13	10,789,759	3,536,000	74,159	14,399,918	2,324,000	340,841	166,667	11,568,410
May-13	11,568,410	2,114,000	79,900	13,762,310	2,274,000	276,553	166,667	11,045,090
Jun-13	11,045,090	1,439,000	142,641	12,626,731	2,268,000	341,071	166,667	9,850,994
Jul-13	9,850,994	1,048,000	170,000	11,068,994	2,376,000	290,000	166,667	8,236,327
TOTAL		33,600,000	1,526,270	147,568,505	27,068,000	9,916,943	2,000,000	

Note: The arrivals for Aug and Sep 2013 are reflected in the 2012/13 Aug/Jul marketing year FAS Mumbai estimates highlighted in red italics.

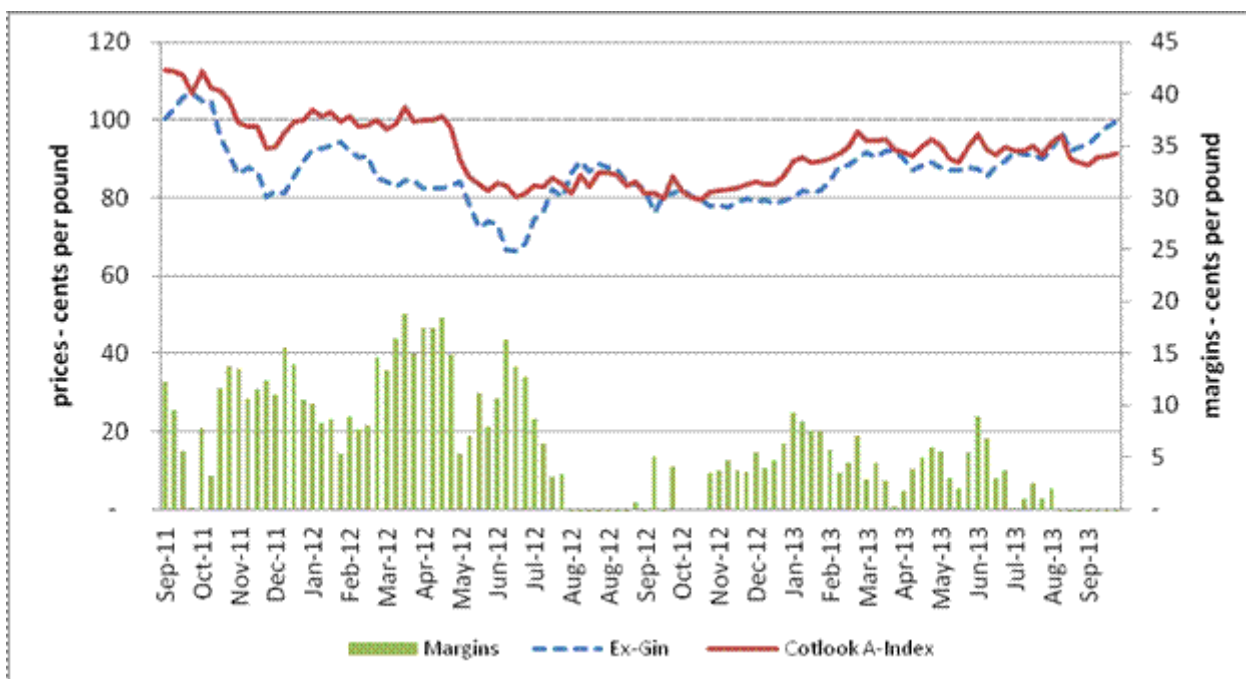
Table 6: Monthly Stock Position Using Cotton Advisory Board Stock Estimates
October/September Marketing Year/170 kg bales

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Oct-12	4,000,000	869,000	313,253	5,182,253	2,185,000	160,506	166,667	2,670,080
Nov-12	2,670,080	3,100,000	213,159	5,983,239	2,109,000	767,165	166,667	2,940,408

Dec-12	2,940,408	4,828,000	104,247	7,872,655	2,264,000	1,836,812	166,667	3,605,176
Jan-13	3,605,176	8,199,000	61,194	11,865,370	2,330,000	2,375,871	166,667	6,992,832
Feb-13	6,992,832	3,595,000	45,541	10,633,373	2,224,000	2,163,959	166,667	6,078,748
Mar-13	6,078,748	4,872,000	55,976	11,006,724	2,361,000	1,202,359	166,667	7,276,698
Apr-13	7,276,698	3,536,000	74,159	10,886,857	2,324,000	340,841	166,667	8,055,349
May-13	8,055,349	2,114,000	79,900	10,249,249	2,274,000	276,553	166,667	7,532,030
Jun-13	7,532,030	1,439,000	142,641	9,113,671	2,268,000	341,071	166,667	6,337,933
Jul-13	6,337,933	1,048,000	170,000	7,555,933	2,376,000	240,000	166,667	4,773,266
Aug-13	4,773,266	400,000	100,000	5,273,266	2,288,000	115,000	166,667	2,703,600
Sep-13	2,703,600	400,000	87,000	3,190,600	2,288,000	200,000	166,667	535,933
TOTAL		34,400,000	1,447,070	98,813,190	27,291,000	10,020,137	2,000,000	

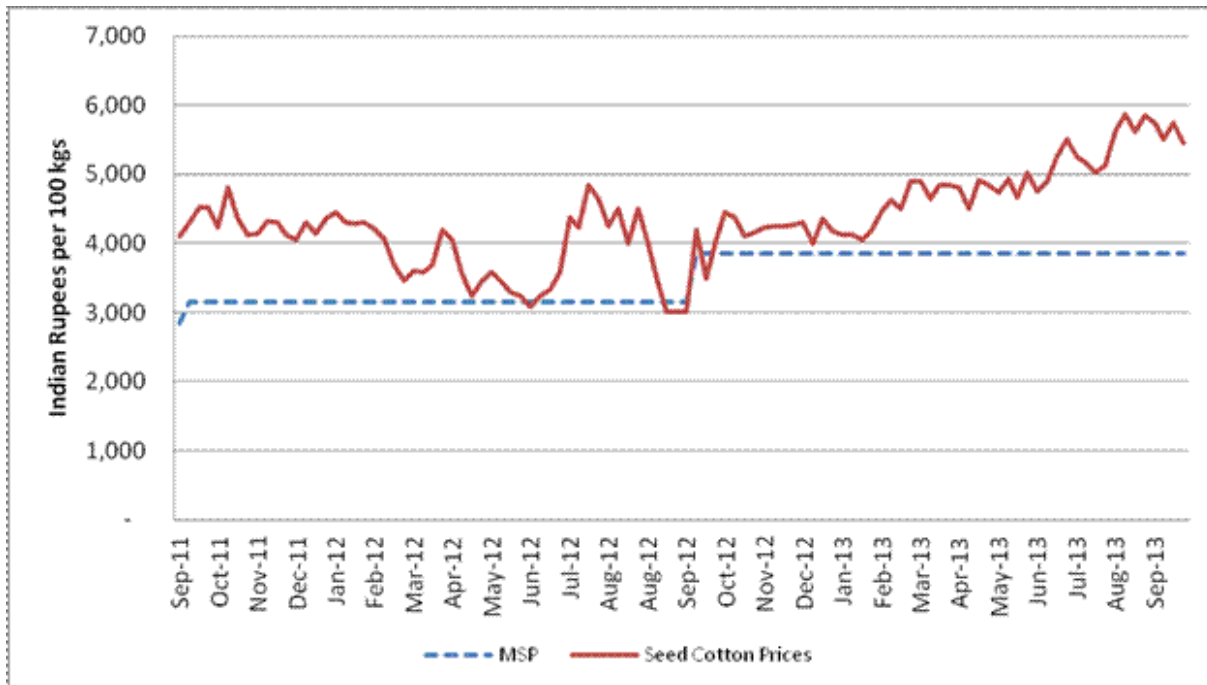
FAS Mumbai estimates highlighted in red italics.

Figure 1a: India Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index



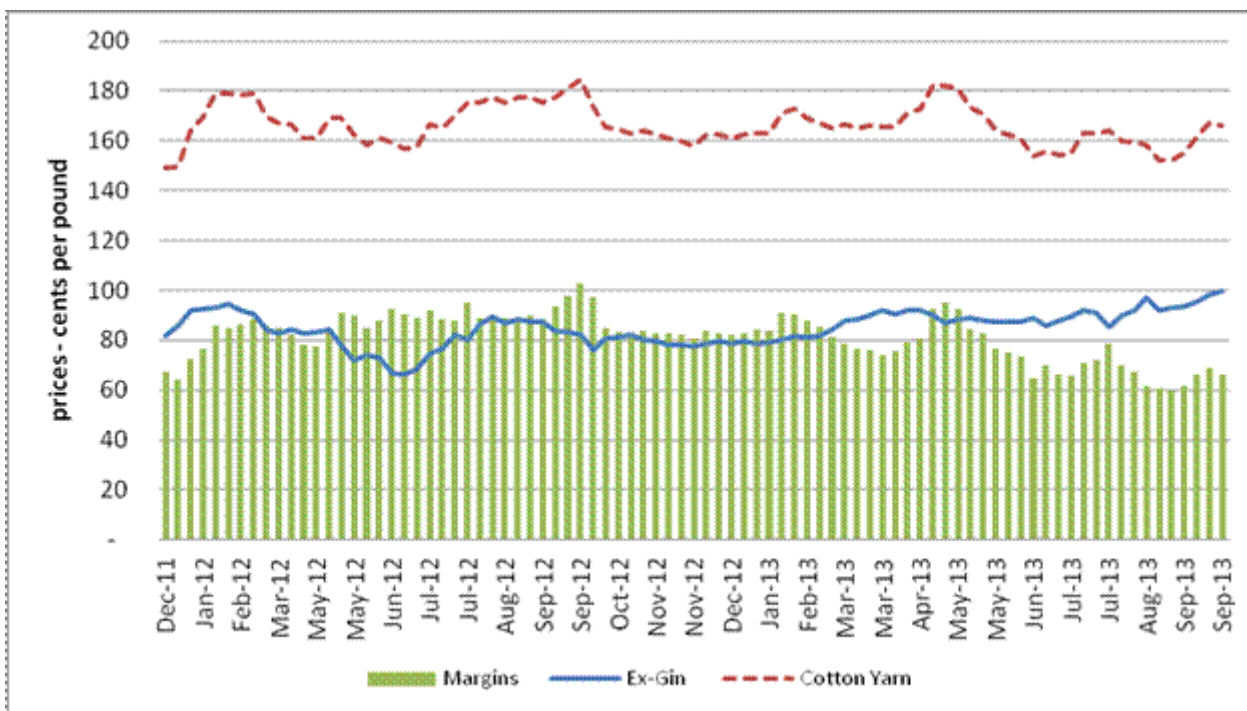
Source: Cotton Association of India
Cotlook A-Index

Figure 1b: India Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6



Source: Agriculture Marketing Information Network, Ministry of Agriculture

Figure 1c: Spinning Margin -- India Weekly Shankar 6 Ex-Gin Price vs. Indian Cotton Yarn Price (40s)



Source: Cotton Association of India

Tecoya Trend

**Table 7: AREA, PRODUCTION & YIELD OF COTTON IN MAJOR STATES
(AREA THA, PRODUCTION THOUSAND BALES OF 170 KGS, YIELD KGS/HA)**

STATE		2011/12	2012/13	2013/14
Maharashtra	Area	4,125	4,146	3,950
	Production	6,825	6,825	7,700
	Yield	281	280	331
Gujarat	Area	2,962	2,400	2,700
	Production	11,680	8,380	10,500
	Yield	670	594	661
Madhya Pradesh	Area	706	608	620
	Production	1,730	1,730	1,800
	Yield	417	484	494
Punjab	Area	560	506	510
	Production	1,600	1,750	1,750
	Yield	486	588	583
Haryana	Area	641	614	614
	Production	2,300	2,100	2,050
	Yield	610	581	568
Rajasthan	Area	470	450	445
	Production	1,640	1,490	1,450
	Yield	593	563	554
Andhra Pradesh	Area	1,879	2,269	2,000
	Production	4,950	6,950	6,500

	Yield	448	521	553
Karnataka	Area	554	485	550
	Production	1,290	1,190	1,350
	Yield	396	417	417
Tamil Nadu	Area	133	126	140
	Production	430	380	400
	Yield	550	513	486
Others	Area	148	169	170
	Production	445	595	500
	Yield	511	599	500
Loose	Production	2,610	2,610	2,610
All-India	Area	12,178	11,773	11,699
	Production	35,500	34,000	36,610
	Yield	496	491	532