Required Report - public distribution

Date: 11/30/2012

GAIN Report Number: IN2156

India

Cotton and Products Update

November 2012

Approved By:
David Williams
Prepared By:
Dhruv Sood

Report Highlights:
India's 2012/13 cotton production is expected to drop slightly to 25.3 million 480 lb bales as a result of heavy rains and winds in the key producing state of Andhra Pradesh during early November. The Government of India recently announced that export registrations were 450,000 170 kg bales (351,000 480 lb bales/76,500 metric tons) during October and November and it did not plan to alter the current export policy to limit exports. Unofficial trade data suggest that the pace of exports was somewhat higher during October and November and Indian cotton is being exported at competitive prices. 2012/13 exports are now expected to reach 4.5 million 480 lb bales (5.7 million 170 kg bales/980,000 metric tons), a million bales higher than the previous estimate.

Cotton India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	11,140	11,140	12,200	12,200	11,700	11,600
Beginning Stocks	9,374	9,374	10,074	10,864	7,724	7,664
Production	26,400	26,400	27,500	27,500	25,500	25,300
Imports	450	190	600	400	1,000	1,000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	36,224	35,964	38,174	38,764	34,224	33,964
Exports	6,000	5,000	10,500	11,100	3,500	4,500
Use	20,550	20,500	19,950	20,000	22,000	21,000
Loss	-400	-400	0	0	0	0
Total Dom. Cons.	20,150	20,100	19,950	20,000	22,000	21,000
Ending Stocks	10,074	10,864	7,724	7,664	8,724	8,464
Total Distribution	36,224	35,964	38,174	38,764	34,224	33,964
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Area and Production Lower

The estimate of 2012/13 (Aug/Jul) cotton production has been reduced to 32.5 million 170 kg bales (5.5 million metric tons /25.3 480 lb bales) and harvested area has been revised to 11.6 million hectares due to damage caused by tropical storm Nilam in the state of Andhra Pradesh, India's third-largest cotton producing state.

In the first week of November, tropical cyclone 'Nilam' struck the southeastern states of Andhra Pradesh and Tamil Nadu. The southern coastal region of Andhra Pradesh received heavy rains and severe flooding. The cotton growing regions of Warangal and Guntur received excess rainfall and winds during the storm. Preliminary official estimates indicate that 238,000 hectares of cotton were damaged. The cyclone struck in the midst of the cotton picking season. Quality has been affected by high moisture content and yields are expected lower due to higher boll droppings due to strong winds. The Cotton Corporation of India (CCI) recently made small commercial purchases in Andhra Pradesh, but rejected some cotton because of quality concerns and high moisture content. Until the full crop damage assessment is completed, CCI may refrain from procuring lower quality or storm-affected cotton. CCI typically procures cotton with a moisture content of eight percent or less.

Weather conditions during October and November were generally good for the crop in the states of Gujarat and Maharashtra, India's largest and second largest cotton producing states respectively. Sunny, warm weather promoted cotton harvesting in India. Cotton arrivals continue to lag well behind the 2010/11 and 2011/12 pace. According to CCI, arrivals had reached just 2.3 million 170 kg bales (1.8 million 480 lb bales/ 391,000 metric tons) as of November 18 compared to 3.2 million 170kg bales (2.5 million 480 lb bales/ 544,000 metric tons) a year ago. Trade sources indicate that an additional 700,000 170 kg bales (547,000 480 lb bales/ 119,000 metric tons) have arrived over the past week, bringing the total to 3 million 170 kg bales (2.3 million 480 lb bales/ 510,000 metric tons), still well below the year-ago pace for the same period. Farm prices are Rs. 42 per kg (38 cents per pound), unchanged from a month ago and only slightly lower than a year ago. Nevertheless, farmers appear to be dissatisfied with market prices and may be holding onto cotton. As the local marketing year was coming to a close in September, a number of large textile mills had secured their cotton needs through December. Increased purchases from those mills could stimulate additional arrivals next month.

Consumption

Monthly cotton consumption was 2.1 million 170 kg (357,000 metric tons/1.63 million 480 lb bales) bales in September, the tenth consecutive month that consumption exceeded 2.0 million bales. Domestic yarn prices have dropped 10 percent since September and spinning margins are down 10 to 20 percent to 80 cents per kg for the representative 40s count yarn (See Table 6), the lowest level since May. With the aid of a weak rupee, spinners have registered large volumes of yarn for exports over the past six months (mainly to China) (See Table 4). However, sales to China have reportedly been aggressively priced and spinners indicate that demand from the domestic industry has been weak. Spinners have also expressed concern that textile demand in the United States and Europe could be sluggish following the holiday season.

Mills in southern India, where 40 percent of India's cotton is consumed, continue to express concerns about the power supply and some are still feeling the effects of 2010/11 losses. Some are limiting their cotton purchases to their short-term needs in an effort conserve capital. Southern mills are also concerned about the lower output and quality of cotton in nearby Andhra Pradesh which could lead to more costly cotton sourcing from central India.

FAS Mumbai continues to estimate the 2012/13 cotton consumption at 21.0 million 480 lb bales (4.48 million metric tons/26.4 million 170 kg bales). The Cotton Advisory Board (CAB) revised the annual loss estimates for the MY 2010/11 and 2011/12 and the same has been reflected in Table 1.

Table 1: Monthly Cotton Consumption by the Textile Sector

(Million 170 kg bales)

	2009/10	2010/11	2011/12	2012/13
Aug	1.859	2.173	1.864	2.189
Sep	1.829	2.143	2.170	2.116
Oct	1.812	2.209	1.776	
Nov	1.847	2.110	1.834	
Dec	1.949	2.257	2.013	
Jan	1.954	2.210	2.033	
Feb	1.881	2.023	2.030	
Mar	2.001	2.176	2.038	
Apr	2.053	2.017	2.031	
May	2.093	1.864	2.128	
Jun	2.071	1.823	2.093	
Jul	2.211	1.900	2.192	
Loss*	1.700	1.338	1.409	2.000
Total	**25.260**	**26.243**	**25.611**	

Source: Textile Commissioner
*Loss estimate from the Cotton Advisory Board

Trade Estimates

Official final data indicate that 2011/12 cotton exports were 14.1 million 170 kg bales (11.1 million 480 lb bales/2.4 million metric tons), 600,000 480 lb bales higher than the current USDA Washington estimate (See Table 2a).

Exports from August through November were 635,000 480 lb bales (813,000 170 kg/138,000 metric tons). The Government of India recently announced that export registrations through the end of November had reached 450,000 170 kg bales and it did not plan to impose additional restrictions on exports (IN2136). Preliminary trade estimates suggest that exports during October and November were even higher at nearly 700,000 170 kg bales (See Table 2b). Indian cotton ex-gin is trading at par with the Cotlook A Index and exporters indicate that they can move cotton to an FOB position at competitive rates. China, Bangladesh. Pakistan and Vietnam are currently purchasing Indian cotton. Trade sources indicate that exports during December may be higher than November and, while international market conditions and demand are uncertain, the monthly pace of exports is expected to increase over the next few months as more cotton enters the market and the rupee continues to trade at low levels against the dollar. Exports are now expected to reach 4.5 million 480 lb bales. Official final data suggest that 2011/12 imports were 500,000 170 kg bales (400,000 480 lb bales/85,000 metric tons), 200,000 480 bales below the current USDA Washington estimate (See Table 3a).

Table 2a: Estimate of 2011/12 Cotton Exports

	170 kg	Metric Tons	480 lb

August	436,447	74,196	340,780
September	948,859	161,306	740,873
October	696,324	118,375	543,692
November	2,095,165	356,178	1,635,913
December	1,621,682	275,686	1,266,216
January	2,524,159	429,107	1,970,873
February	2,324,518	395,168	1,814,992
March	512,088	87,055	399,840
April	1,369,700	232,849	1,069,467
May	798,494	135,744	623,467
June	590,165	100,328	460,803
July	261,000	44,370	203,790
Official Total Aug-Jul 1	**14,178,601**	**2,410,362**	**11,070,706**

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

Table 2b: Estimate of 2012/13 Cotton Exports

	170 kg	**Metric Tons**	**480 lb**
August Preliminary Exports 1\	56,894	9,672	44,423
September Estimated Exports 2\	86,524	14,709	67,558
October Estimated Exports 3\	170,000	28,900	132,737
November Estimated Exports 3\	500,000	85,000	390,402
Preliminary Total Aug-Nov	**813,418**	**138,281**	**635,120**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 3a: Estimate of 2011/12 Cotton Imports

	170 kg	**Metric Tons**	**480 lb**

August	8,735	1,485	6,821
September	2,518	428	1,966
October	12,647	2,150	9,875
November	14,665	2,493	11,450
December	12,847	2,184	10,031
January	37,265	6,335	29,096
February	80,224	13,638	62,639
March	92,535	15,731	72,252
April	98,447	16,736	76,868
May	79,324	13,485	61,936
June	34,006	5,781	26,552
July	26,312	4,473	20,545
Official Total Aug-Jul 1	**499,525**	**84,919**	**390,031**

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

Table 3b: Estimate of 2012/13 Cotton Imports

	170 kg	**Metric Tons**	**480 lb**
August Preliminary Imports 1\	62,935	10,699	49,140
September Estimated Imports 2\	205,024	34,854	160,084
October Estimated Imports 3\	310,000	52,700	242,049
November Estimated Imports 3\	160,000	27,200	124,929
Preliminary Total Aug-Nov	**737,959**	**125,453**	**576,201**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 4: Cotton Yarn Export Registration Data

Month	**Quantity**	**Month**	**Quantity**

	(Million kg)		(Million kg)
Aug-11	97.734	Aug-12 (P)	83.055
Sep-11	77.157	Sep-12 (P)	64.269
Oct-11	43.690	Oct-12 (P)	94.462
Nov-11	76.362		
Dec-11	83.005		
Jan-12	79.148		
Feb-12	60.518		
Mar -12 (P)	64.227		
Apr -12 (P)	62.811		
May -12 (P)	74.455		
Jun -12 (P)	82.419		
Jul -12 (P)	94.507		

(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell

Table 5: Indian Cotton Prices Compared to International Prices (cents\lb)

	India Ex-Gin*	ICE Futures Nearby	Difference ICE vs. Ex-Gin*	Cotlook A Index	Difference Cotlook vs. Ex-Gin*
April 6	83	89	+6	100	+17
April 13	80	92	+12	100	+20
April 20	80	90	+10	100	+20
April 27	80	89	+9	101	+21
May 4	83	87	+4	98	+15
May 11	84	79	-5	90	+6
May 18	80	78	-2	85	+5
May 25	75	74	-1	83	+8
June 1	77	69	-8	82	+5
June 8	74	73	-1	84	+10
June 15	76	78	+2	83	+7
June 22	78	74	-4	80	+2
June 29	80	71	-9	81	+1
July 6	82	71	-11	83	+1
July 13	83	73	-10	83	0
July 20	90	73	-17	85	-5
July 27	89	71	-18	83	-6
Aug 03	89	74	-15	81	-8
Aug 10	91	73	-18	86	-5
Aug 17	89	73	-16	83	-6
Aug 24	90	75	-15	86	-4
Aug 31	90	77	-13	87	-3
Sep 07	90	76	-14	86	-4
Sep 14	85	76	-9	83	-2
Sep 21	83	73	-10	84	1
Sep 28	80	71	-9	81	1
Oct 05	76	71	-5	81	5
Oct 12	81	71	-10	80	-1
Oct 19	81	77	-4	85	4
Oct 26	82	72	-10	82	0
Nov 02	80	70	-10	80	0
Nov 09	79	70	-9	79	0
Nov 16	78	73	-5	81	3
Nov 23	78	70	-8	82	4

*Indian ex-gin prices are from the Cotton Association of India.

Table 6: Indian Spinning Margins
(cents\lb)

	India Cotton Ex-Gin*	India 40s Warp Yarn**	Spinning Margin
April 6	83	161	78
April 13	80	161	81
April 20	80	161	81
April 27	80	161	81
May 4	83	161	78
May 11	84	169	85
May 18	80	169	89
May 25	75	169	94
June 1	77	166	89
June 8	74	166	92
June 15	76	164	88
June 22	78	164	86
June 29	79	166	87
July 6	82	169	87
July 13	83	169	86
July 20	89	173	84
July 27	89	181	92
Aug 03	89	181	92
Aug 10	91	181	90
Aug 17	89	181	92
Aug 24	90	181	91
Aug 31	90	183	93
Sep 07	90	181	91
Sep 14	85	181	96
Sep 21	83	181	98
Sep 28	80	181	101
Oct 05	76	178	102
Oct 12	81	166	85
Oct 19	81	165	84
Oct 26	82	163	81
Nov 02	80	164	84
Nov 09	79	162	83
Nov 23	78	160	82

*Source: Cotton Association of India
**Source: Local industry