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India

Cotton and Products Update

August 2015

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Report Highlights:
The MY 2015/16 production estimate is 29 million 480 lb. bales. Planted area reached 11.26 million hectares and is expected to climb higher. Deficient rains have delayed cotton planting as farmers consider planting alternatives. The Cotton Corporation of India (CCI) continues selling cotton but mill buying remains weak.

Post:
New Delhi

Commodities:
Cotton

Executive Summary:

Cotton	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested	11,700	11,960	12,700	12,900	11,800	12,000
Beginning Stocks	11,795	11,795	11,365	10,870	13,565	12,700
Production	31,000	31,000	29,500	29,600	29,000	29,000
Imports	675	675	1,200	1,240	950	800
MY Imports from U.S.	-	-	-	-	-	-
Total Supply	43,470	43,470	42,065	41,710	43,515	42,500
Exports	9,255	9,261	4,000	4,210	5,200	4,700
Use	23,350	23,339	24,500	24,800	26,000	25,000
Loss	(500)	-	-	-	-	-
Total Dom. Cons.	22,850	23,339	24,500	24,800	26,000	25,000
Ending Stocks	11,365	10,870	13,565	12,700	12,315	12,800
Total Distribution	43,470	43,470	42,065	41,710	43,515	42,500
(1000 HA) ,1000 480 lb. Bales						

Production

The FAS Mumbai MY 2015/16 production estimate is 29 million 480 lb. bales (37 million 170 kg bales/6.3 mmt). Deficient rains in the latter half of the monsoon season led to slow boll development and maturation. Additionally, sources report instances of pest pressure (pink bollworm in areas of Gujarat and white fly in Punjab). The cotton yield in MY 2015/16 is estimated at 524 kg per hectare; marginally lower than the five year average of 527 kg per hectare. As per the latest weather report from the Government of India, overall rainfall during monsoon (June 1 – August 26) in India is 12 percent below the long period average.

Area

Planted area as of August 28, 2015, reached 11.26 million hectares compared to 12.25 million hectares at the same time last year. While the pace of planting at the beginning of the season was ahead of last year, the lack of rain during the months of July and August delayed sowing in central and southern cotton growing regions. FAS Mumbai estimates total planted area for MY 2015/16 at 12 million hectares, 200,000 hectares higher than FAS Washington estimate. Areas in central state of Maharashtra, and southern cotton growing states of Andhra Pradesh and Telangana have received insufficient rainfall leading to moisture stress and cotton withering. But planted area for cotton is expected to increase due to cotton’s relative drought tolerance over competing crops as planting continues late in the season.

However selected areas in Northern Karnataka have been declared as drought affected and cotton acreage in these regions has reduced drastically as farmers shifted planting area to pulses, coarse grains, and cereals due to low price realization from cotton crop last season. As of August 27, the overall water stored in reservoirs in Southern India was 34 percent of the total capacity compared to 61 percent during the corresponding period last year.

Arrivals and Sales

As of August 27, Cotton Corporation of India (CCI) reported marketing year 2014/15 cotton arrivals reached 29.4 million 480 lb. bales (37.75 million 170 kg bales/ 6.4 mmt). For MY 2014/15, total arrivals as a percentage of the total production estimate have reached 97 percent. CCI has auctioned 4.25 million 480 lb. bales (5.45 million 170 kg bales/926,500 mt), which is 62 percent of the total procurement that took place during MY 2014/15 under the Minimum Support Price (MSP) program. CCI has registered direct and indirect export sales of around 291,000 480 lb. bales (373,000 170 kg bales/63,000 mt). Most of the direct export sales have been to Bangladesh.

Trade

The FAS Mumbai MY 2015/16 export estimate is 4.7 million 480 lb. bales and reflects a decrease from the USDA official estimate due to expected sluggish demand. Trade sources expect international preference to remain for machine picked cotton which could disadvantage Indian cotton exports over the new crop year. Although the Indian currency has weakened two percent since June, overall exports have remained weak as there is hardly any uptake of cotton. However, sources indicate that the currency change has provided exporters an opportunity to ship cotton, albeit in a small quantum of shipments, to new markets such as Turkey, Thailand and Indonesia in July and August. Bangladesh however remains the top export destination for Indian cotton. Trade sources expect exports to remain weak as prices remain subdued with large carry-over stocks domestically and globally. MY 2014/15 exports have been revised to 4.2 million 480 lb. bales to reflect shipments that could eventually appear in official trade data.

The FAS Mumbai MY 2015/16 import estimate is 800,000 480 lb. bales. Mills are expected to limit imports of cotton to extra-long staple varieties as availability of a newer crop is expected to provide coverage on the supply side.

Imports in MY 2014/15 have been revised to 1.24 million 480 lb. bales. As arrivals in the open market have dried up, mills have opted to purchase from CCI or import new crop cotton from West Africa or other regions. Trade data indicates that small to medium sized mills in southern India have been importing West African cotton (Mali, Cote D Ivoire, Benin, Chad, Togo and Cameroon) to cover immediate requirements.

Consumption

The FAS Mumbai MY 2015/16 consumption estimate is 25 million 480 lb. bales. Mill use is expected to remain weak as fabric offtake is low due to poor export demand. Mills are currently operating below capacity and are expected to maintain current levels next season. Trade indicates mill buying has been weak on account of sluggish demand for raw cotton and cotton yarn. While ex-gin prices have remained low, cotton yarn prices have fallen similarly and affected margins. Sources indicate mills are buying less in anticipation of further price declines as the new crop arrivals begin October onwards. The MY 2014/15 has been revised to 24.8 million 480 lb. bales (31.7 million 170 kg bales / 5.4 mmt) based on updated data from the Textile Commissioner's office.

Table 1a. India: Estimate of 2014/15 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	99,671	16,944	77,824
September Exports 1\	128,129	21,782	100,044
October Exports 1\	185,618	31,555	144,931
November Exports 1\	733,559	124,705	572,766
December Exports 1\	1,013,571	172,307	791,400
January Exports 1\	670,765	114,030	523,736
February Exports 1\	672,494	114,324	525,086
March Exports 1\	758,306	128,912	592,088
April Exports 1\	382,794	65,075	298,887
May Exports 1\	235,476	40,031	183,861
June Preliminary Exports 2\	230,353	39,160	179,861
July Estimated Exports 3\	284,000	48,280	221,748
Preliminary Total Aug-May	**5,394,736**	**917,105**	**4,212,231**

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 1b. India: Estimate of 2015/16 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Estimated Exports 3\	250,000	42,500	195,201
Preliminary Total Aug	**250,000**	**42,500**	**195,201**

3\ FAS Mumbai estimate

Table 2a. India: Estimate of 2014/15 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	161,735	27,495	126,283
September Imports 1\	329,041	55,937	256,916
October Imports 1\	197,712	33,611	154,374
November Imports 1\	125,018	21,253	97,615
December Imports 1\	50,094	8,516	39,114
January Imports 1\	52,071	8,852	40,657
February Imports 1\	72,382	12,305	56,516
March Imports 1\	73,094	12,426	57,072
April Imports 1\	81,824	13,910	63,888
May Imports 1\	98,547	16,753	76,946
June Preliminary Imports 2\	125,965	21,414	98,354
July Estimated Imports 3\	216,000	36,720	168,654
Preliminary Total Aug-May	**1,583,483**	**269,192**	**1,236,390**

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 1b. India: Estimate of 2015/16 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Estimated Imports 3\	135,000	22,950	105,409
Preliminary Total Aug	**135,000**	**22,950**	**105,409**

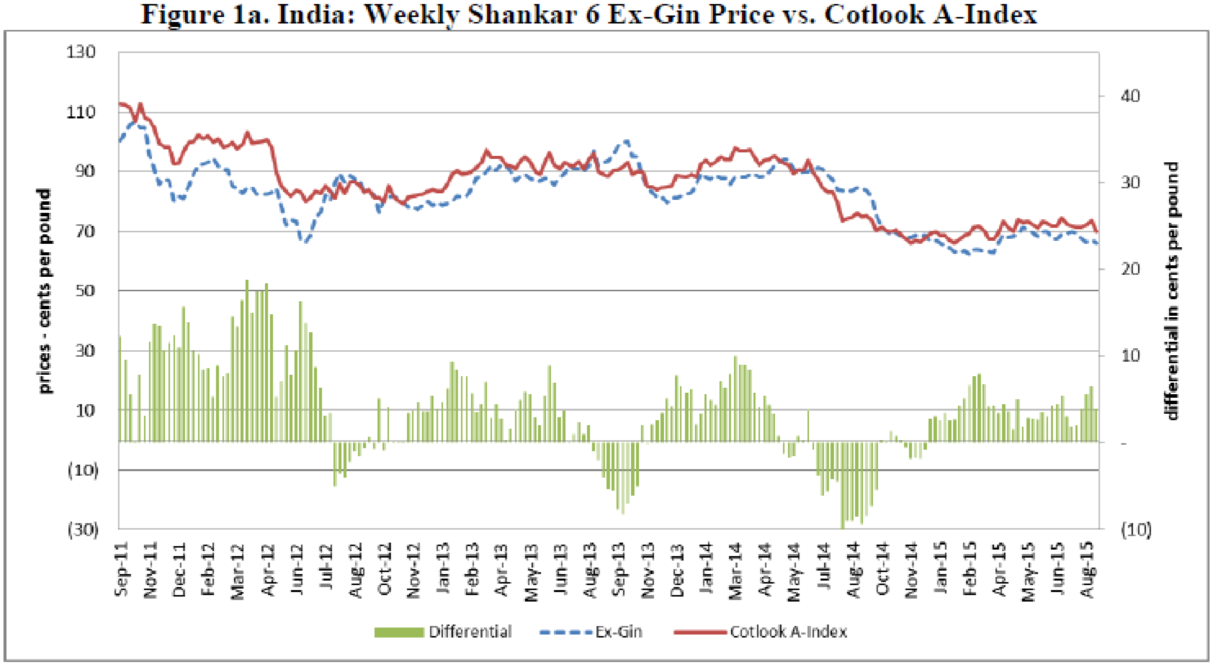
3\ FAS Mumbai estimate

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

Month	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Aug	1.859	2.173	1.864	2.207	2.423	2.446
Sep	1.829	2.143	2.170	2.146	2.370	2.581
Oct	1.812	2.209	1.776	2.185	2.403	2.416
Nov	1.847	2.110	1.834	2.109	2.296	2.511
Dec	1.949	2.257	2.013	2.264	2.516	2.596
Jan	1.954	2.210	2.033	2.330	2.519	2.601
Feb	1.881	2.023	2.030	2.224	2.323	2.498
Mar	2.001	2.176	2.038	2.361	2.507	2.598
Apr	2.053	2.017	2.031	2.322	2.431	2.557
May	2.093	1.864	2.128	2.285	2.439	2.565
Jun	2.071	1.823	2.117	2.251	2.410	2.555
Jul	2.211	1.900	2.213	2.411	2.454	
Loss*	1.700	1.338	*0.500*	*0.783*	*0.800*	*1.500*
Total	**25.260**	**26.243**	**24.747**	**27.878**	**29.891**	

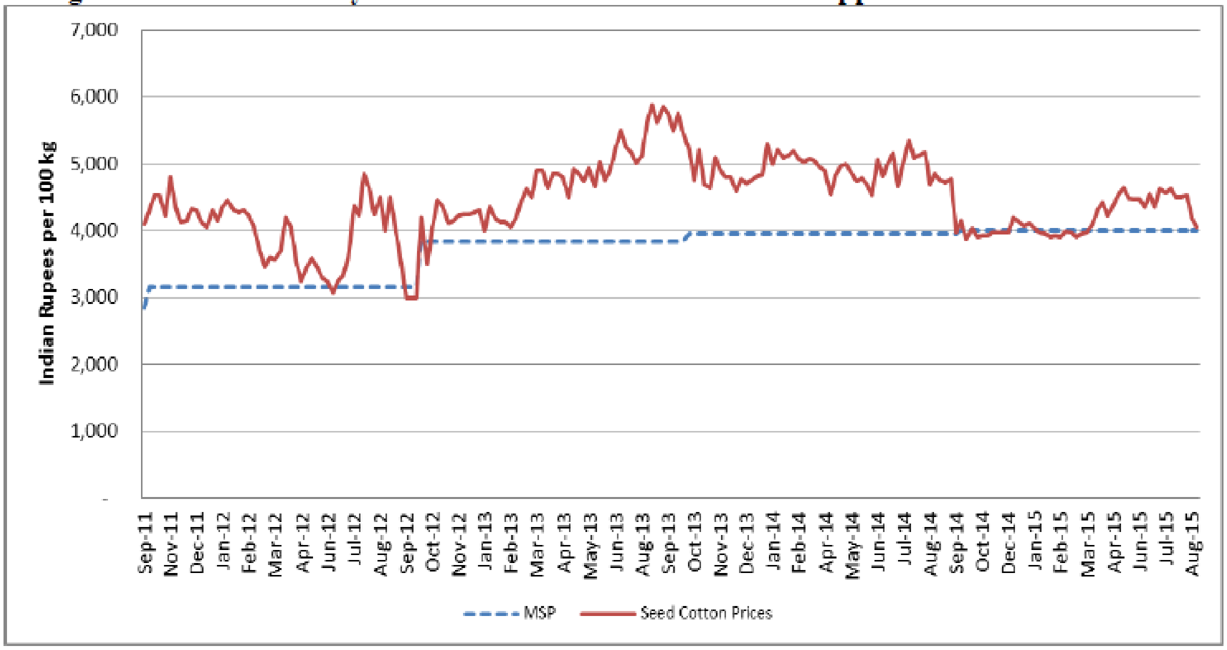
*Loss estimate from the Cotton Advisory Board
Source: Textile Commissioner

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



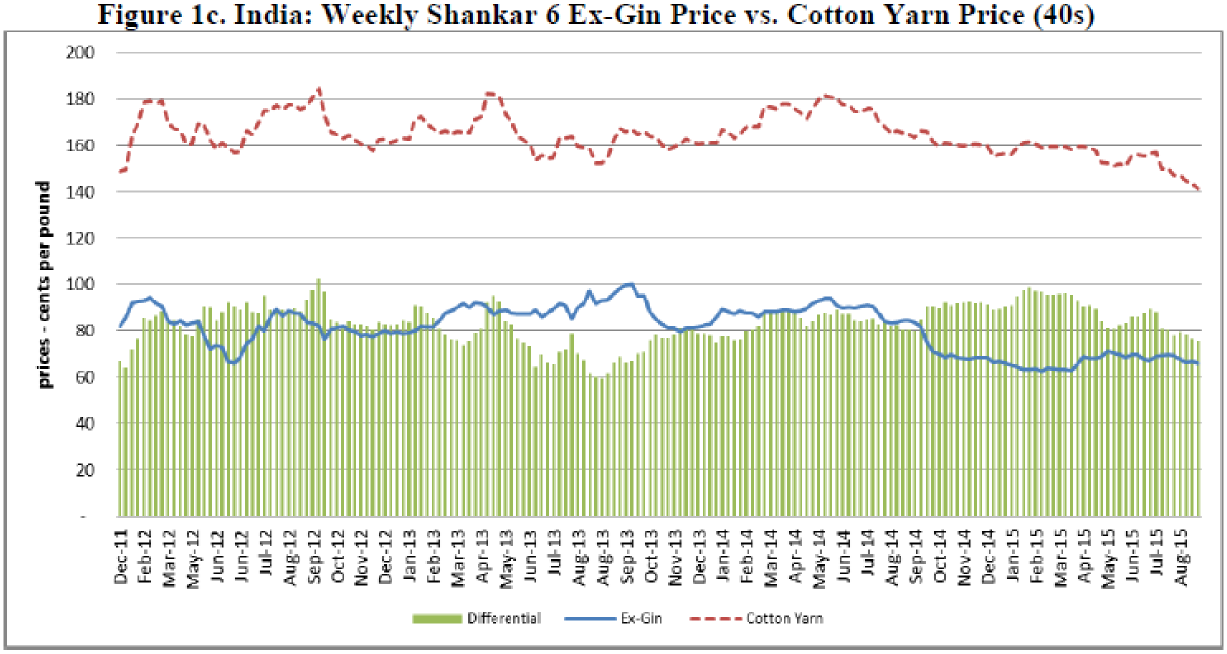
Source: Cotton Association of India
Cotlook A-Index

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



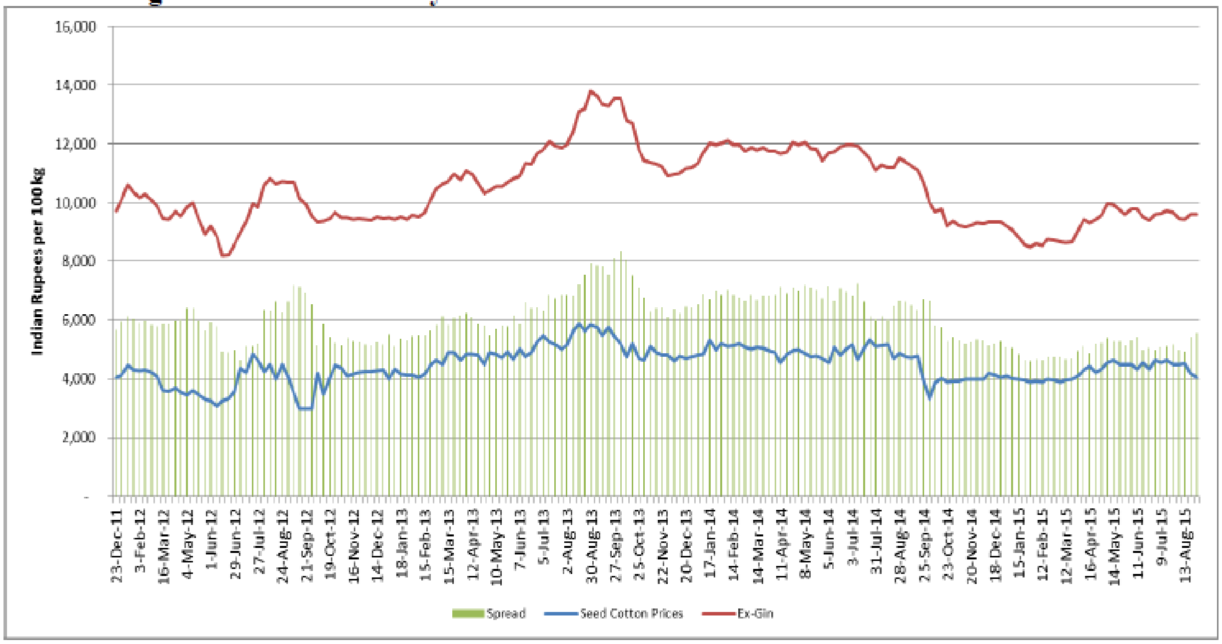
Source: Agriculture Marketing Information Network, Ministry of Agriculture

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



Source: Cotton Association of India
Tecoya Trend

Figure 1d. India: Weekly Seed Cotton Prices vs. Shankar 6 Ex-Gin Prices



Source: Cotton Association of India
Agriculture Marketing Information Network, Ministry of Agriculture