

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Post: New Delhi

India Bans Cotton Exports

Report Categories:

Cotton and Products

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Report Highlights:

India has banned exports of cotton effective March 5, 2012. Exports have been higher than anticipated and exports are now estimated at 7.0 million 480 lb bales which reflects exports thus far. Cotton consumption is also expected to increase as domestic prices drop.

General Information:

India Bans Cotton Exports

Effective March 5, 2012, India's Directorate General of Foreign Trade has banned exports of cotton. The announcement comes following reports that India's marketing year (October/September) exports had reached 8.4 million 170 kg bales. The ban will be in place until further notice. The ban also prevents exporters from shipping cotton that is currently registered for export. Outstanding export registrations are estimated at an additional 1.6 million 170 kg bales and may be even higher. The notice can be viewed at the following website <http://164.100.9.245/Exim/2000/NOT/NOT11/not-10210.htm>.

With seven months to go in the local marketing year (October/September) it appears that officials were concerned about the rapid pace of exports and the potential effect on domestic supplies of cotton. The announcement comes as demand from India's textile sector has been relatively weak, arrivals from the 2011/12 crop have been slow and prices have dipped. The announcement will likely push cotton prices lower. With a third of the 2011/12 crop still to be marketed by farmers, if market prices drop far enough, the government-run Cotton Corporation of India (CCI) could be called upon to initiate procurement operations at the established minimum support price.

The textile industry in Tamil Nadu, where 40 percent of India's cotton crop is processed, has been struggling with power cuts and higher labor costs and the entire industry has faced weak or negative spinning margins for much of the current marketing year. Cotton consumption from August through December was 13 percent less than the record level of a year ago. Yarn production was estimated to have improved during January and February, but 2011/12 consumption was not expected to match 2009/10 or 2010/11 levels. Lower internal cotton prices should help to improve spinning margins and could lead to increased yarn production.

FAS Mumbai recommends increasing the 2011/12 (August/July) export estimate to 8.9 million 170 kg bales (7.0 million 480 lb bales) which includes an estimated 500,000 bales shipped during August and September from the 2010/11 crop. FAS Mumbai also recommends an increase in the consumption estimate to 20.0 million 480 lb bales.