USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 8/28/2014

GAIN Report Number: IN4075

India

Cotton and Products Update

August 2014

Approved By:
Adam Branson
Prepared By:
Dhruv Sood

Report Highlights:
The pace of planting quickened across central and southern India with the arrival of the delayed monsoon. FAS Mumbai forecasts MY2014/15 production at 29.5 million 480 lb bales and planted area at 12.1 million hectares. Delayed planting across the central and south zones points to late arrivals in MY2014/15. Exports shipments reached 9.2 million 480 lb bales in MY2013/14. The Government of India increased its minimum support price by 1 percent for both medium and long staple varieties.

Post:
New Delhi

Commodities:
Cotton

Executive Summary:

Cotton India	2012/2013 Market Year Begin: Aug 2012		2013/2014 Market Year Begin: Aug 2013		2014/2015 Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	12,000	12,000	11,700	11,700	12,200	12,100
Beginning Stocks	10,869	10,819	11,969	10,769	11,119	9,269
Production	28,500	28,500	30,500	30,500	29,000	29,500
Imports	1,200	1,200	750	700	1,100	1,000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	40,569	40,519	43,219	41,969	41,219	39,769
Exports	7,750	7,750	9,100	9,200	5,800	6,000
Use	21,850	22,000	23,500	23,500	24,750	23,500
Loss	-1,000	0	-500	0	0	0
Total Dom. Cons.	20,850	22,000	23,000	23,500	24,750	23,500
Ending Stocks	11,969	10,769	11,119	9,269	10,669	10,269
Total Distribution	40,569	40,519	43,219	41,969	41,219	39,769
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Production
FAS Mumbai forecasts MY2014/15 production at 29.5 million 480 lb bales (37.8 million 170 kg bales / 6.4 mmt). This year, the cotton yield is estimated at around 531 kg per hectare, higher than the five year average of 522 kg per hectare. This is due better agronomic practices adopted by farmers coupled with renewed efforts by the Government of India to provide assistance and improve yields under the National Food Security Mission.

Arrivals
On August 24, the Cotton Corporation of India (CCI) reported that MY2013/14 cotton arrivals were 37.8 million 170 kg bales (29.5 million 480 lb bales / 6.4 mmt) compared to 36.3 million 170 kg bales (28.3 million 480 lb bales / 6.2 mmt) a year ago. CCI reports arrivals are averaging 25,000 bales per day and total arrivals as a percentage of the total production estimate reached 97 percent as of August 24. This is slightly lower than the 99 percent reached as of the same date in MY2012/13.

Area
In MY2014/15, with the arrival of monsoon rains, the pace of planting since the beginning of August has been the fastest in the past four years. Still, however, the FAS Mumbai planting area forecast for

MY2014/15 is 12.1 million hectares. On August 21, 2014, the cotton planted area, as reported by the Ministry of Agriculture, was around 11.9 million hectares, 7 percent higher than MY 2013/14 and MY 2012/13, but similar to MY 2011/12. Planting is complete in the north and the central cotton growing regions but some additional area may be added in the southern states of Andhra Pradesh, Karnataka and Tamil Nadu.

Northern India
Sowing in the northern cotton growing states is complete. Sowing in the state of Punjab has reached 450,000 hectares while sowing in states of Haryana and Rajasthan reached 639,000 hectares and 416,000 hectares; respectively. Trade sources indicate that a 10 percent increase in planted area in the states of Haryana and Rajasthan is due largely to shifts from guar to cotton.

Central India
Sowing in the central state of Gujarat has reached a record level of 2.98 million hectares surpassing the previous record of 2.96 million hectares in MY 2011/12. A large shift has been seen from groundnut area to cotton with the rains that occurred in late-July/August in major cotton growing districts. Yields are expected to be higher than the five year state average (661 kg/ hectare) but lower than last year. In Maharashtra planted area has reached 3.9 million hectares, 2 percent higher than last year. The slight increase in area is due to farmers shifting acreage from soybean to cotton due to lower input costs for cotton and better prices.

Southern India
In the southern states of Andhra Pradesh and Telangana (formerly northern Andhra Pradesh), area is expected to be lower than last year as deficit rainfall has prompted farmers to limit the area and consider other crops such as maize and paddy. Farmers started planting cotton in the month of June, but, with no rains, delayed the rest of their planting. With rains finally arriving in late July, farmers now have completed nearly all of their planting but the standing crop requires proper rain distribution in the coming weeks.

Recent FAS travel to the major cotton growing districts in Telangana showed that plants have reached the early flowering stage with some plants in the boll formation stage. The cotton crop did not show signs of any moisture stress due to recent rains but, overall, the region has received inadequate rains. In the coming weeks, the crop will require widespread rains for boll development and maturation. The area planted in Andhra Pradesh has reached 2 million hectares.

In the state of Karnataka, planted area reached a record 715,000 hectares. Planting is expected to continue in the state until September and yields are expected to be higher than the five year average. Timely rains and good prices have prompted farmers to plant increasing acreage to cotton.

2013/14 Cotton Production Estimates
On July 2, 2014, the cotton advisory board (CAB), headed by the textile commissioner, revised the crop estimate for MY2013/14. The CAB reported a record crop of 39 million 170 kg bales (30.5 million 480 lb bales / 6.6 mmt) and the area was revised to 11.7 million hectares.

Consumption

The FAS Mumbai forecast for MY2014/15 use is 23.5 million 480 lb bales. The average per month mill consumption rate since 2010 has been 1.7 million 480 lb bales. The Post forecast anticipates use above these average levels as there remains large global stocks and falling prices.
In general, however, as global demand remains sluggish and Indian ex-gin prices are above the Cotlook A Index there may be tempered demand for processed cotton out of India and Post anticipates flat year over year demand given current circumstances.

Sources report that small and medium sized mills are stocking cotton and yarn for 15-20 days of consumption and catering to immediate requirements. Mills are maintaining smaller stocks of cotton, as well, and buying smaller volumes more frequently rather than placing fewer albeit larger purchases. Larger mills indicate that supplies are covered through October and imports of West African cotton have supported the coverage.

The MY2013/14 consumption estimate is 23.5 million 480 lb bales as mill consumption remained robust throughout the marketing year.

Trade

The FAS Mumbai MY2014/15 export forecast is 6 million 480 lb bales as India is expected to remain a strong regional supplier to Pakistan and Bangladesh as well as southeast Asia (e.g., Vietnam and Indonesia). MY2013/14 exports shipments are estimated at 9.2 million 480 lb bales. Exports shipments since June have been relatively slow as trade sources report demand from China has been sluggish. Cumulative exports in June and July are estimated around 485,000 170 kg bales (379,000 480 lb bales / 82,450 mt), with Bangladesh and Vietnam emerging as the top export destinations alongside China.

Indian ex-gin cotton prices are now higher than the Cotlook A index as the rupee has strengthened in the last month and reduced the thin margins for the exporters.

Import shipments in MY2013/14 have reached 874,000 170 kg bales (682,000 480 lb bales / 149,000 mt). Cheaper West African cotton from Mali, Ivory Coast and Burkina Faso is being imported to offset weak arrivals in the domestic market.

Prices and Policy: Minimum Support Price Announcement Raised

On July 28, 2014, the Government of India announced an increase to the minimum support price (MSP) for both medium and long staple cotton. The prices are fixed at 28 cents/lb (Rs. 3,750 per quintal) and 31 cents/lb (Rs. 4,050 per quintal); respectively, this represented an increase in the support prices of both medium staple and long staple cotton by Rs. 50 (83 cents) per 100 kg. .

Table 1a: Estimate of 2013/14 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	260,571	44,297	203,455
September Exports 1\	132,941	22,600	103,801
October Exports 1\	140,806	23,937	109,942
November Exports 1\	1,915,982	325,717	1,496,006
December Exports 1\	2,460,212	418,236	1,920,943
January Exports 1\	2,055,653	349,461	1,605,062
February Exports 1\	1,419,624	241,336	1,108,448
March Exports 1\	1,308,347	222,419	1,021,562
April Exports 1\	924,365	157,142	721,748
May Exports 1\	647,465	110,069	505,543
June Estimated Exports 2\	355,000	60,350	277,185
July Estimated Exports 2\	130,000	22,100	101,504
Preliminary Total Aug-Jul	**11,750,966**	**1,997,664**	**9,175,199**

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 2014/15 Cotton Exports

	170 kg	Metric Tons	480 lb
August Estimated Exports 2\	68,000	11,560	53,095
Preliminary Total Aug	**68,000**	**11,560**	**53,095**

2\ FAS Mumbai estimate

Table 2a: Estimate of 2013/14 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	107,824	18,330	84,189
September Imports 1\	96,906	16,474	75,665
October Imports 1\	113,382	19,275	88,529
November Imports 1\	55,024	9,354	42,963
December Imports 1\	17,624	2,996	13,761
January Imports 1\	38,959	6,623	30,419
February Imports 1\	41,576	7,068	32,463
March Imports 1\	48,841	8,303	38,135
April Imports 1\	65,582	11,149	51,207
May Imports 1\	59,471	10,110	46,435
June Imports 2\	74,000	12,580	57,779
July Imports 2\	155,000	26,350	121,025
Preliminary Total Aug-Jul	**874,189**	**148,612**	**682,570**

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 2014/15 Cotton Imports

	170 kg	Metric Tons	480 lb
August Estimated Imports 3\	115,000	19,550	89,792
Preliminary Total Aug	**115,000**	**19,550**	**89,792**

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	2013/14
Aug	1.859	2.173	1.864	2.207	2.423
Sep	1.829	2.143	2.170	2.146	2.370
Oct	1.812	2.209	1.776	2.185	2.403
Nov	1.847	2.110	1.834	2.109	2.296
Dec	1.949	2.257	2.013	2.264	2.516
Jan	1.954	2.210	2.033	2.330	2.519
Feb	1.881	2.023	2.030	2.224	2.323
Mar	2.001	2.176	2.038	2.361	2.507
Apr	2.053	2.017	2.031	2.322	2.422
May	2.093	1.864	2.128	2.285	2.460
Jun	2.071	1.823	2.117	2.251	2.417
Jul	2.211	1.900	2.213	2.411	
Loss*	1.700	1.338	*0.500*	*1.000*	*1.000*
Total	**25.260**	**26.243**	**24.747**	**28.095**	

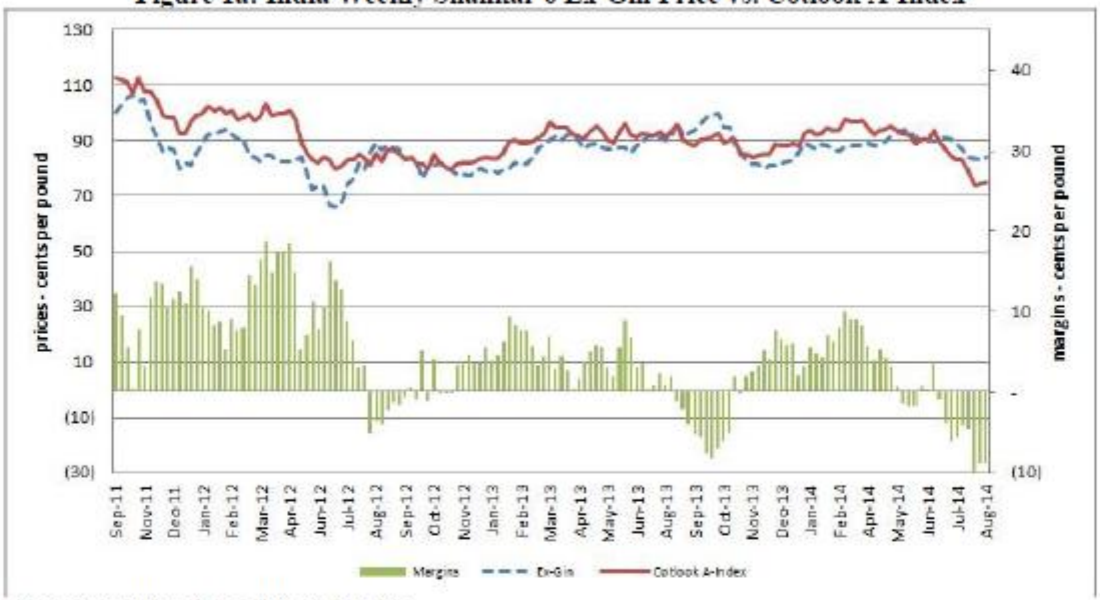
Source: Textile Commissioner
*Loss estimate from the Cotton Advisory Board

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	Sep-13 (P)	109.640
Oct-11	43.69	Oct-12 (P)	94.462	Oct-13 (P)	125.885
Nov-11	76.362	Nov-12 (P)	100.769	Nov-13 (P)	108.520
Dec-11	83.005	Dec-12 (P)	100.778	Dec-13 (P)	118.736
Jan-12	79.148	Jan-13 (P)	117.143	Jan-14 (P)	143.813
Feb-12	60.518	Feb-13 (P)	103.955	Feb-14 (P)	103.124
Mar -12 (P)	64.227	Mar-13 (P)	88.685	Mar-14 (P)	111.738
Apr -12 (P)	62.811	Apr-13 (P)	115.960	Apr-14 (P)	99.926
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**		

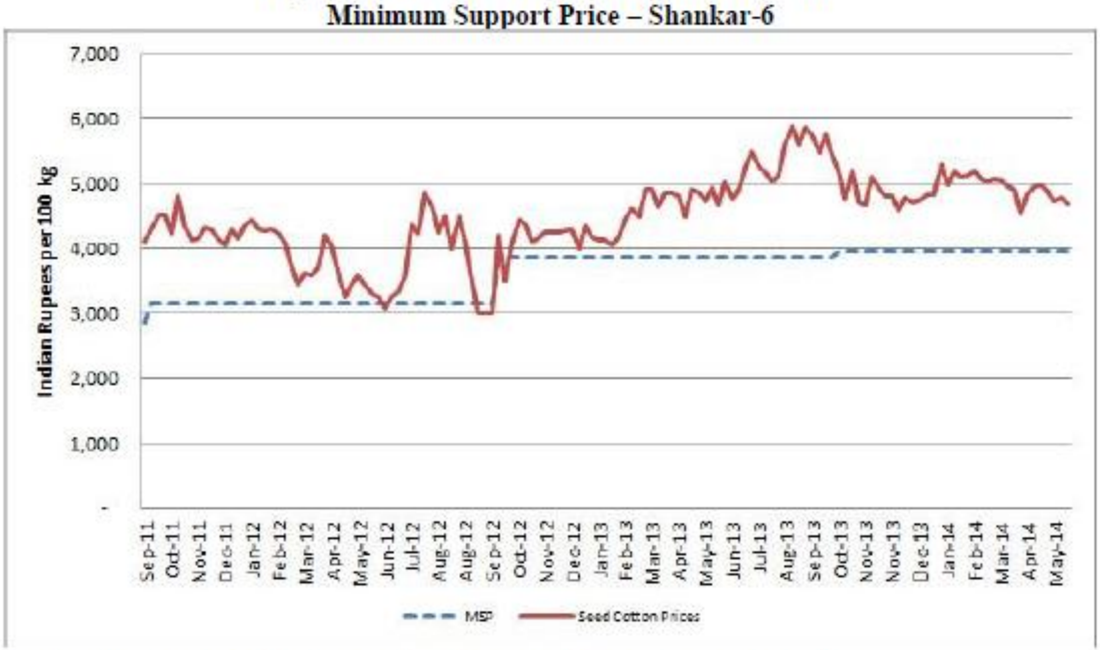
(P) – Provisional
Source: Directorate General of Foreign Trade, Export Cell

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



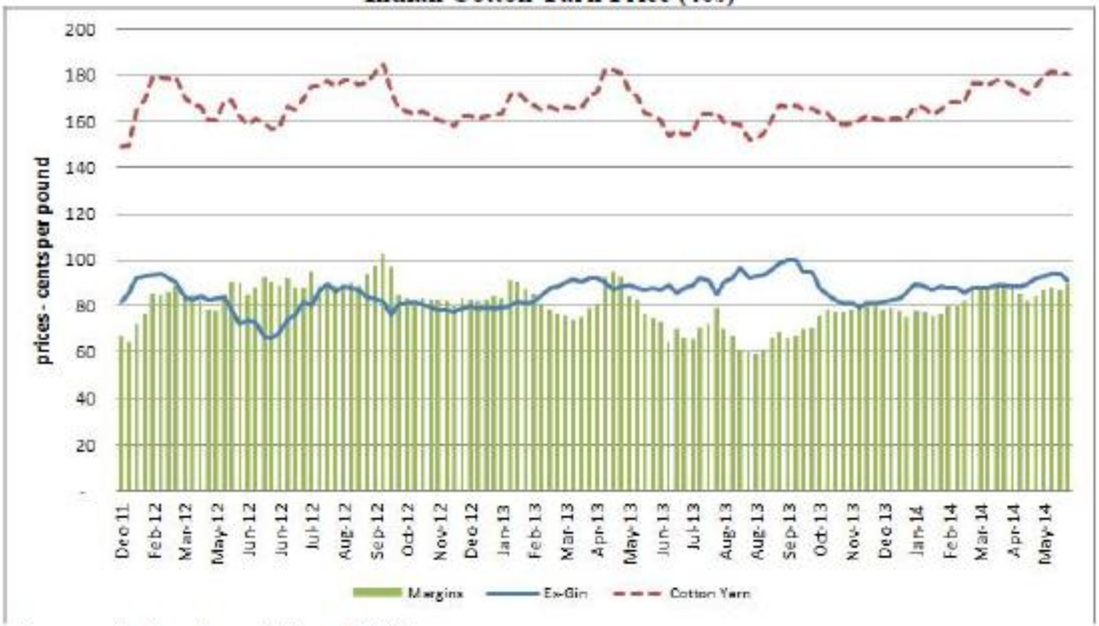
Source: Cotton Association of India
Cotlook A-Index

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



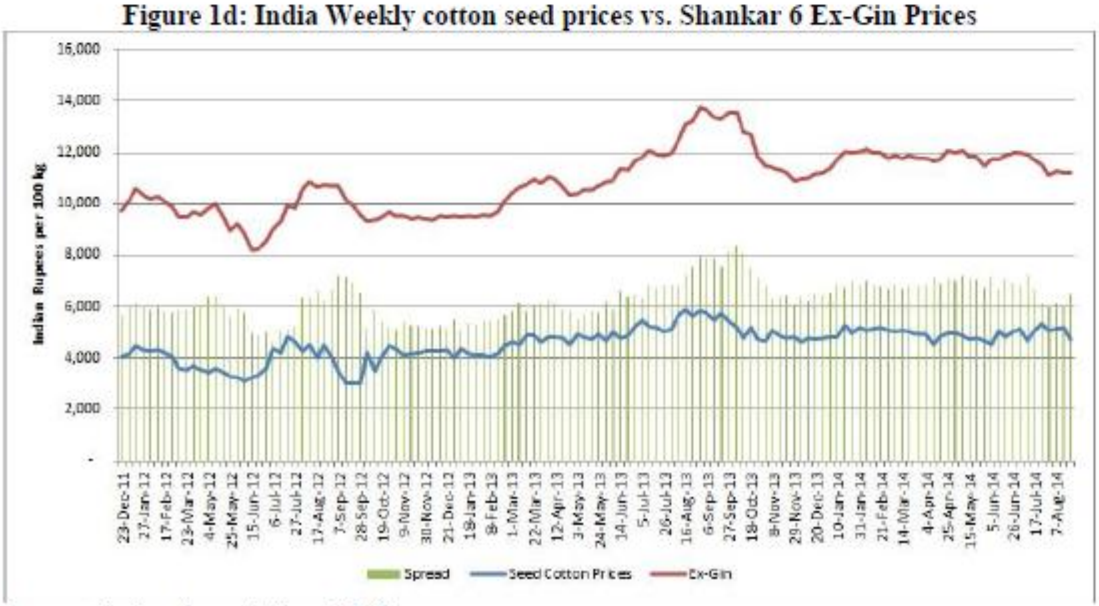
Source: Agriculture Marketing Information Network, Ministry of Agriculture

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



Source: Cotton Association of India
Tecoya Trend

Figure 1d: India Weekly cotton seed prices vs. Shankar 6 Ex-Gin Prices



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