

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 8/5/2013

GAIN Report Number: IN3088

India

Post: New Delhi

Cotton and Products Update July 2013

Report Categories:

Cotton and Products

Approved By:

David Williams

Prepared By:

Dhruv Sood

Report Highlights:

According to official reports, planted area under cotton has reached an estimated 10.5 million hectares, well ahead of the average coverage for this time of year. 2013/14 production is forecast at 27.5 million 480 lb bales, down slightly from USDA Washington's latest forecast. Monsoon rains have been timely and well distributed, but excessive cloud cover and heavy rains may affect yields in some areas. 2012/13 exports climbed to 7.6 million 480 lb bales based on preliminary trade data, exceeding previous USDA estimates. The Cotton Corporation of India has sold nearly 50 percent of its stocks and higher volumes of cotton imports are expected over the next few months.

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	12,000
Beginning Stocks	11,174	10,964	8,944	8,584	7,744	6,234
Production	27,500	27,500	26,500	26,500	28,000	27,500
Imports	600	400	1,500	1,250	1,200	1,500
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	39,274	38,864	36,944	36,334	36,944	35,234
Exports	11,080	11,080	7,200	7,600	5,800	5,800
Use	19,750	19,700	22,500	22,500	23,250	23,000
Loss	-500	-500	-500	0	-500	0
Total Dom. Cons.	19,250	19,200	22,000	22,500	22,750	23,000
Ending Stocks	8,944	8,584	7,744	6,234	8,394	6,434
Total Distribution	39,274	38,864	36,944	36,334	36,944	35,234

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

Cotton Planting and Production

Major cotton-growing regions have received normal or above-normal rainfall, which has advanced cotton planting. According to official data, cotton sowing area has reached an estimated 10.5 million hectares, eight percent higher than last year and almost 12 percent higher compared to the average normal sowing area as of July 26, 2013. Planted area in Gujarat, a major cotton producing state from which a sizeable portion of India's exports are sourced, has reached 2.6 million hectares which has already surpassed the government's initial forecast of 2.5 million hectares. Planted area in Maharashtra and Andhra Pradesh has reached 3.73 million hectares and 1.75 million hectares respectively. The cotton acreage in the north zone comprising the states of Punjab, Haryana and Rajasthan has reached a combined total of 1.35 million hectares where sowing has been completed. Cotton acreage in Madhya Pradesh has reached 600,000 hectares. According to trade sources, pest infestation has not been an issue, but sucking insects tend to affect plants later in the season. FAS Mumbai forecasts production for MY 2013/14 to 35.2 million 170 kg bales (27.5 million 480 lb bales / 5.95 mmt).

Rains have been heavy in some areas and cloud cover has been extensive across portions of central India. Early estimates indicate that 15,000 – 20,000 hectares of cotton area may have been damaged due to heavy rains in Maharashtra and Andhra Pradesh. Flooding and water logging could affect yields in some areas. The current production forecast is based on the assumption that monsoon performance will be normal over the next few weeks which suggests that conditions will be drier and sunnier. Government agencies have issued advisories for farmers to provide adequate drainage in low lying areas and manage weed growth.

Arrivals

On July 14, 2013, cotton arrivals had reached 33.11 million 170 kg bales (25.25 million 480 lb bales / 5.63 mmt) compared to 33.61 million 170 kg bales (26.24 million 480 lb bales / 5.71 mmt) last year. The pace of daily cotton arrivals is 20,000 170 kg bales per day. The Cotton Corporation of India continues to auction stocks on a daily basis and will continue to release stocks during the next marketing year, provided there are enough buyers in the market. Total sales have reached 1.2 million 170 kg bales (937,000 480 lb bales / 204,000 mt) leaving 1.1 million 170 kg bales (859,000 480 lb bales / 187,000 mt) with the Cotton Corporation of India. FAS Mumbai continues to forecast MY 2012/13 production at 34 million 170 kg bales (26.5 million 480 lb bales / 5.78 mmt). Seed cotton prices continue to trade near 40 cents/lb (see Figure 1b) as supplies remain tight toward the end of the marketing year.

Consumption

Consumption remains robust on account of strong demand for cotton yarn from China and Bangladesh. Trade sources indicate that demand for yarn from local buyers and exporters is expected to stay firm in coming weeks. There has been a steady demand from yarn manufacturers as exporters look to take advantage of the weaker rupee. The rupee has devalued by 35 percent over the past two years and dropped from Rs. 54 per dollar to Rs. 60 per dollar over the past few weeks. Yarn export registrations for June have risen by more than 85 percent on a month-to-month basis and by 73 percent on a year-to-year basis.

MY 2012/13 consumption figure has been forecast at 28.81 million 170 kg bales (22.5 million 480 lb bales / 4.89 mmt). The total consumption has been averaging over 2 million 170 kg bales (1.56 million 480 lb bales / 340,000 mt) per month since December 2011. Mills in the south have increased their procurement of cotton as demand for cotton yarn increases in export markets. Trade sources indicate that domestic consumption will remain strong as small to medium sized mills seek to cover their position till September. But volatility in cotton prices and working capital constraints are limiting the mills from covering their positions in the long-term. Larger mills are facing fewer liquidity issues and are largely covered with either imports or domestic supplies through October when new-crop cotton arrives.

Trade

Preliminary data suggests that exports reached 9.8 million 170 kg bales (7.63 million 480 lb bales / 1.66 mmt) through the end of July, the final month of the 2012/13 marketing year. More than 60 percent of import shipments in July originated from West Africa suggesting that, as predicted, mills are covering their needs with imports. Imports are expected to continue over the next few months. Preliminary data suggests that overall imports have reached 1.47 million 170 kg bales (1.15 million 480 lb bales / 251,000 mt).

Table 1a: 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\	14,178,600	2,410,362	11,070,705

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

Table 1b: 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\	2,250,871	382,648	1,757,489
February Exports 1\	2,099,929	356,988	1,639,633
March Exports 1\	1,183,147	201,135	923,806
April Exports 1\	271,688	46,187	212,135
May Preliminary Exports 2\	481,935	81,929	376,297
June Estimated Exports 3\	315,000	53,550	245,593

July Estimated Exports 3\	250,000	42,500	195,201
Preliminary Total Aug-Jul	9,778,859	1,662,406	7,635,012

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 2a: 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\	499,524	84,919	390,030

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 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	81,396
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	43,706
April Imports 1\	74,159	12,607	57,904
May Preliminary Imports 2\	80,324	13,655	62,717
June Estimated Imports 3\	120,000	20,400	93,696
July Estimated Imports 3\	145,000	24,650	113,217

Preliminary Total Aug-Jul	1,479,053	251,439	1,154,850

1\ Official subtotal 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 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	2.195
Nov	1.847	2.110	1.834	2.095
Dec	1.949	2.257	2.013	2.274
Jan	1.954	2.210	2.033	2.292
Feb	1.881	2.023	2.030	2.204
Mar	2.001	2.176	2.038	2.330
Apr	2.053	2.017	2.031	2.275
May	2.093	1.864	2.128	2.264
Jun	2.071	1.823	2.117	
Jul	2.211	1.900	2.213	
Loss*	1.700	1.338	1.000	2.000
Total	25.260	26.243	25.247	

Source: Textile Commissioner

*Loss estimate from the Cotton Advisory Board

Table 4: Cotton Yarn Export Registration Data

Month	Quantity (Million kg)	Month	Quantity (Million kg)
Aug-11	97.734	Aug-12 (P)	83.055
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		
Total	896.033		1101.525

(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	11,454,862	-	62,935	11,517,797	2,207,000	56,894	166,667	9,087,236
Sep-12	9,087,236	-	203,265	9,290,501	2,146,000	104,912	166,667	6,872,922
Oct-12	6,872,922	869,000	313,253	8,055,175	2,195,000	160,506	166,667	5,533,003
Nov-12	5,533,003	3,100,000	213,159	8,846,162	2,095,000	767,165	166,667	5,817,330
Dec-12	5,817,330	4,828,000	104,247	10,749,577	2,274,000	1,836,812	166,667	6,472,098
Jan-13	6,472,098	8,199,000	61,194	14,732,292	2,292,000	2,250,871	166,667	10,022,755
Feb-13	10,022,755	3,595,000	45,541	13,663,296	2,204,000	2,099,929	166,667	9,192,700
Mar-13	9,192,700	4,872,000	56,629	14,121,329	2,330,000	1,144,841	166,667	10,479,821
Apr-13	10,479,821	3,536,000	74,159	14,089,980	2,275,000	271,688	166,667	11,376,626
May-13	11,376,626	2,114,000	80,324	13,570,950	2,264,000	481,935	166,667	10,658,348
Jun-13	10,658,348	1,439,000	120,000	12,217,348	2,200,000	315,000	166,667	9,535,681
Jul-13	9,535,681	900,000	145,000	10,580,681	2,200,000	250,000	166,667	7,964,015

TOTAL		33,452,000	1,479,706	141,435,088	26,682,000	9,740,553	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.

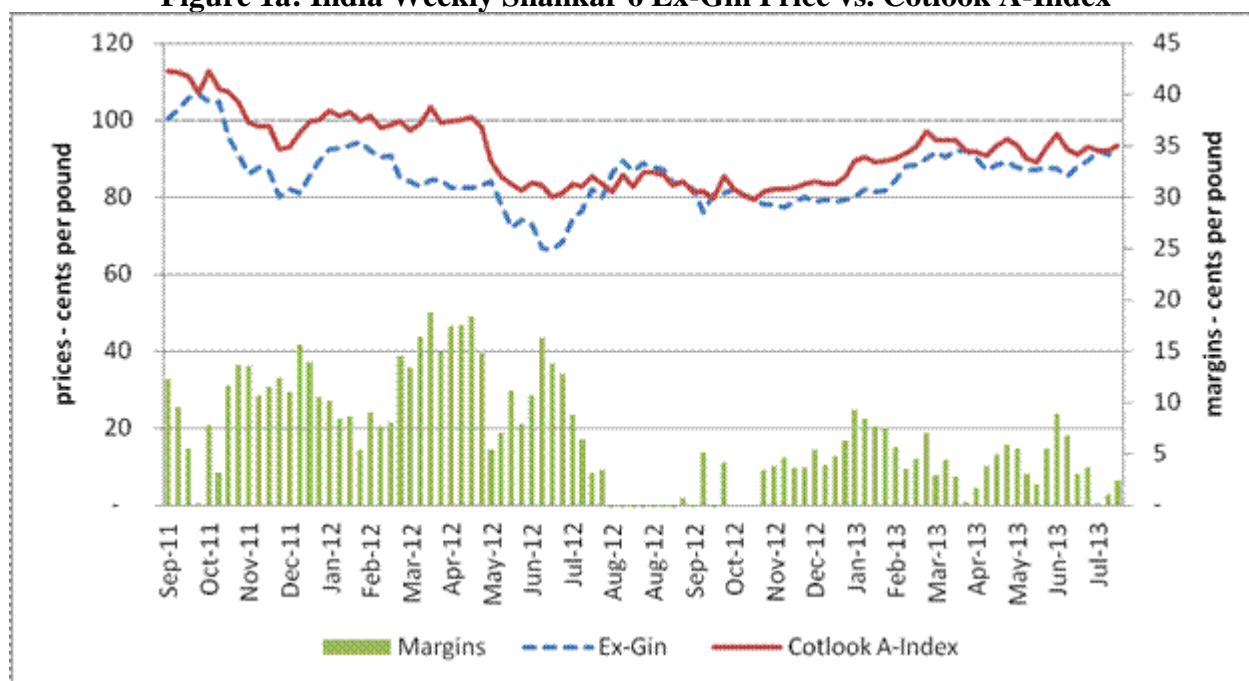
**Table 6: Monthly Stock Position Using Cotton Advisory Board Stock Estimates
October/September Marketing Year/170 kg bales**

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	2,195,000	160,506	166,667	2,660,080
Nov-12	2,660,080	3,100,000	213,159	5,973,239	2,095,000	767,165	166,667	2,944,408
Dec-12	2,944,408	4,828,000	104,247	7,876,655	2,274,000	1,836,812	166,667	3,599,176
Jan-13	3,599,176	8,199,000	61,194	11,859,370	2,292,000	2,250,871	166,667	7,149,832
Feb-13	7,149,832	3,595,000	45,541	10,790,373	2,204,000	2,099,929	166,667	6,319,777
Mar-13	6,319,777	4,872,000	56,629	11,248,406	2,330,000	1,144,841	166,667	7,606,899
Apr-13	7,606,899	3,536,000	74,159	11,217,058	2,275,000	271,688	166,667	8,503,703
May-13	8,503,703	2,114,000	80,324	10,698,027	2,264,000	481,935	166,667	7,785,425

Jun-13	7,785,4 25	1,439,00 0	<i>120,00 0</i>	9,344,42 5	<i>2,200,000</i>	<i>230,00 0</i>	166,66 7	6,747,7 59
Jul-13	6,747,7 59	<i>900,000</i>	<i>145,00 0</i>	7,792,75 9	<i>2,200,000</i>	<i>200,00 0</i>	166,66 7	5,226,0 92
Aug-13	5,226,0 92	<i>400,000</i>	<i>600,00 0</i>	6,226,09 2	<i>2,288,000</i>	<i>200,00 0</i>	166,66 7	3,571,4 25
Sep-13	3,571,4 25	<i>300,000</i>	<i>670,00 0</i>	4,541,42 5	<i>2,288,000</i>	<i>100,00 0</i>	166,66 7	1,986,7 59
TOTAL		34,152,0 00	2,483,5 06	102,750, 082	26,905,000	9,743,7 47	2,000,0 00	

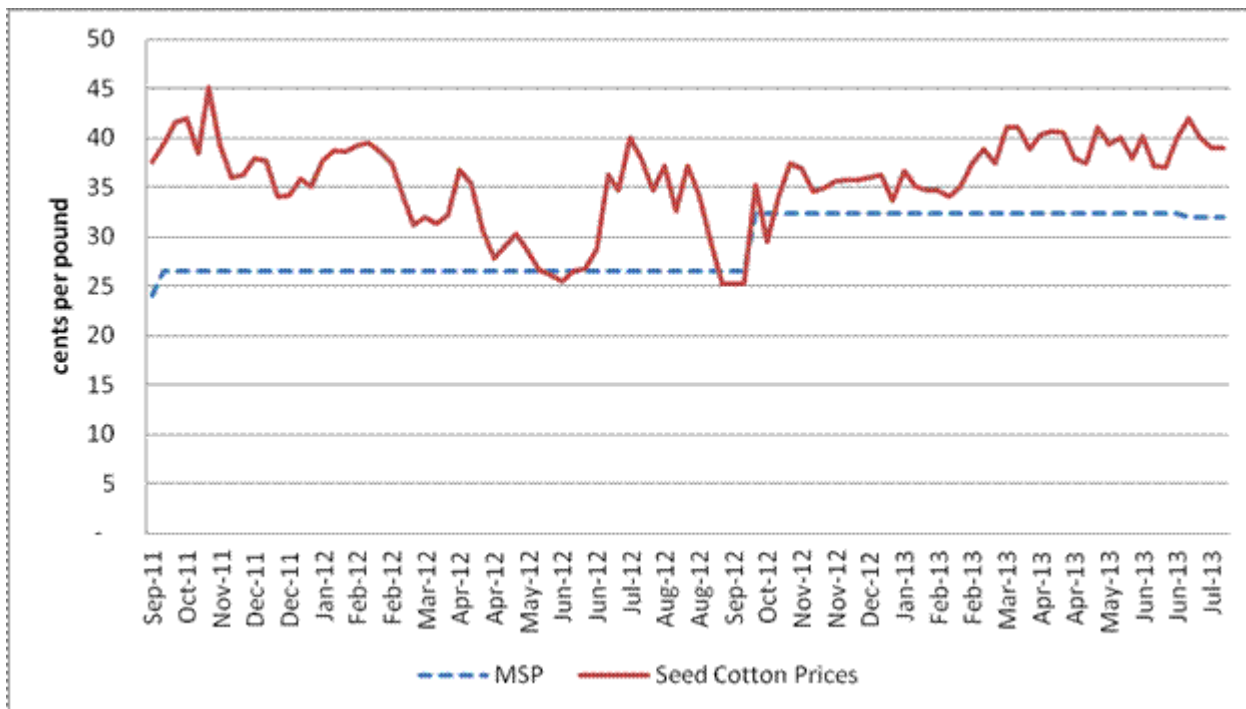
FAS Mumbai estimates highlighted in red italics.

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



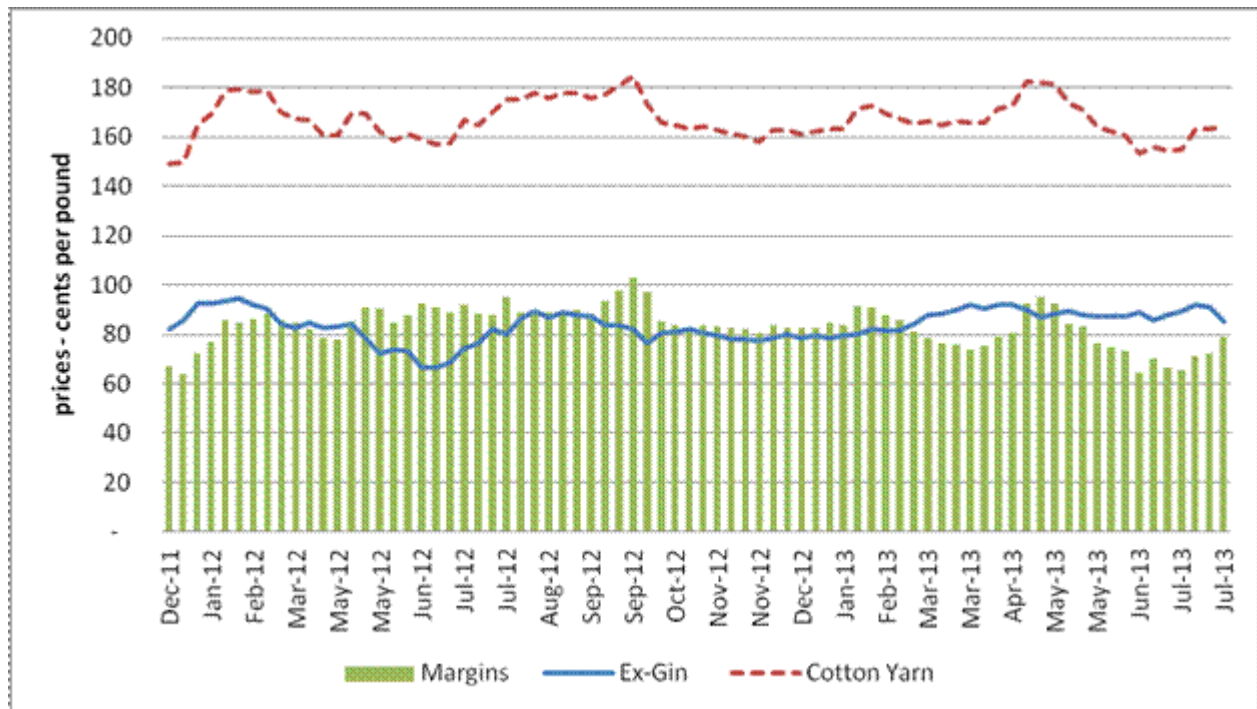
Source: Cotton Association of India
Cotlook A-Index

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