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Cotton and Products Update April 2014

Report Categories:

Cotton and Products

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Report Highlights:

Cotton exports appear to have defied expectations during April, lifting 2013/14 exports during the August-April period to 8.0 million 480 lb bales. As a result, exports are now expected to climb to 8.8 million 480 lb bales before the marketing year ends in three months as demand for competitively-priced Indian cotton remains relatively brisk. Aided by winter rains that facilitated additional pickings following a strong monsoon, MY 2013/14 production is also estimated higher at a record 29.5 million 480 lb bales from a near-record yield of 552 kg per hectare.

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
Area Harvested	12,000	12,000	11,700	11,700		11,800
Beginning Stocks	10,869	10,819	11,469	10,819		9,219
Production	28,500	28,500	29,000	29,500		28,000
Imports	1,200	1,200	750	700		1,000
MY Imports from U.S.	0	0	0	0		0
Total Supply	40,569	40,519	41,219	41,019		38,219
Exports	7,750	7,700	8,000	8,800		6,000
Use	21,850	22,000	23,000	23,000		23,500
Loss	-500	0	0	0		0
Total Dom. Cons.	21,350	22,000	23,000	23,000		23,500
Ending Stocks	11,469	10,819	10,219	9,219		8,719
Total Distribution	40,569	40,519	41,219	41,019		38,219
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Exports Defy Expectations

MY 2013/14 cotton exports are expected 800,000 480 lb bales higher at 8.8 million 480 lb bales. (11.2 million 170 kg bales) as exports appear to have maintained a torrid pace during April, climbing to nearly 8.0 million 480 lb bales since the start of the marketing year (See Table 1b). Indian cotton continues to be competitively priced relative to the Cotlook A index (see Figure 1a) and buyers are reportedly seeking lower-quality, lower-priced cotton. Weather conditions have stimulated additional cotton pickings (as many as five in some areas) and, while supplies are up, quality is reportedly down. Bangladesh, China, Turkey, and Vietnam have all been active buyers of late, while exports to Pakistan have slowed considerably. Exporters are optimistic that exports during May will also be sizeable.

Is production higher?

At 29.5 million 170 kg bales as of April 14, arrivals continue to lag the revised 2012/13 pace of 30.8 million 170 kg bales (2012/13 arrival data was revised to reflect a higher production estimate). However, arrivals are well ahead of the 2011/12 pace that led to a record crop. While arrivals can be predictive of final production, the data may become less frequent as the marketing year wears on, making it harder to gauge the pace of arrivals. Having said that, the comparison to 2011/12 arrivals suggests that a higher current-year production estimate falls within the realm of possibility. Additionally, arrivals are maintaining a relatively brisk pace despite a dearth of arrivals in the three cotton producing states in Northern India. There are a number of theories as to why arrivals have been slow there, including the oft-heard refrain that farmers are holding onto their cotton in anticipation of higher prices. However, northern farmers are also reportedly holding onto cotton because an unusually wet winter has made it harder to bring cotton to market, suggesting that there are pent up supplies in the north.

Winter rains during January and February in Gujarat and Maharashtra, allowed for additional pickings, boosting supplies across the belt where most exported cotton is sourced. Cotton is harvested by hand in India and farmers in some areas obtain multiple pickings from each plant. If winter conditions are suitable, farmers will leave cotton plants in the field for several months.

Despite brisk exports and consumption, farm-gate cotton prices have declined since January (see Figure 1b) lending support to the notion that supplies are larger than originally predicted.

In sum, given the pace of arrivals compared to the 2011/12 pace; winter rains leading to more pickings; and the potential for more cotton on farms in the north, production is now estimated 500,000 170 kg bales higher at 29.5 million 480 lb bales. This boosts yields to a near record 552 kg per hectare, but given the performance of the monsoon and winter rains, high yields seem to be a reasonable operating assumption. A key question over the next few months will be whether yields and production are even higher.

Table 1a: 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\	2,375,871	403,898	1,855,089
February Exports 1\	2,163,959	367,873	1,689,627
March Exports 1\	1,202,359	204,401	938,806
April Exports 1\	340,841	57,943	266,130
May Exports 1\	276,553	47,014	215,934
June Exports 1\	353,871	60,158	276,304
July Exports 1\	270,212	45,936	210,982
Official Total Aug-Jul	**9,909,955**	**1,684,692**	**7,737,730**

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

Table 1b: Estimate of 2013/14 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	260,500	44,285	203,399
September Exports 1\	128,453	21,837	100,297
October Exports 1\	136,935	23,279	106,919
November Exports 1\	1,846,247	313,862	1,441,557
December Exports 1\	2,374,200	403,614	1,853,784
January Exports 1\	2,008,918	341,516	1,568,571
February Preliminary Exports 2\	1,399,541	237,922	1,092,767
March Estimated Exports 3\	1,200,000	204,000	936,965
April Estimated Exports 3\	800,000	136,000	624,643
Preliminary Total Aug-Apr	**10,154,794**	**1,726,315**	**7,928,902**

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 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	81,397
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	43,707
April Imports 1\	74,159	12,607	57,903
May Imports 1\	79,900	13,583	62,386
June Imports 1\	142,641	24,249	111,375
July Imports 1\	163,859	27,856	127,942
Official Total Aug-Jul	**1,520,129**	**258,422**	**1,186,924**

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized

Tariff Schedule code 5201 – raw cotton.

Table 2b: 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 Preliminary Imports 2\	44,047	7,488	34,392
March Estimated Imports 3\	49,000	8,330	38,259
April Estimated Imports 3\	64,000	10,880	49,971
Preliminary Total Aug-Apr	**586,766**	**99,750**	**458,149**

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	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	2.396
Nov	1.847	2.110	1.834	2.109	2.274
Dec	1.949	2.257	2.013	2.264	2.484
Jan	1.954	2.210	2.033	2.330	2.481
Feb	1.881	2.023	2.030	2.224	2.418
Mar	2.001	2.176	2.038	2.361	
Apr	2.053	2.017	2.031	2.322	
May	2.093	1.864	2.128	2.285	
Jun	2.071	1.823	2.117	2.251	
Jul	2.211	1.900	2.213	2.411	
Loss*	1.700	1.338	*0.500*	*1.000*	*1.500*
Total	**25.260**	**26.243**	**24.747**	**28.095**	

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

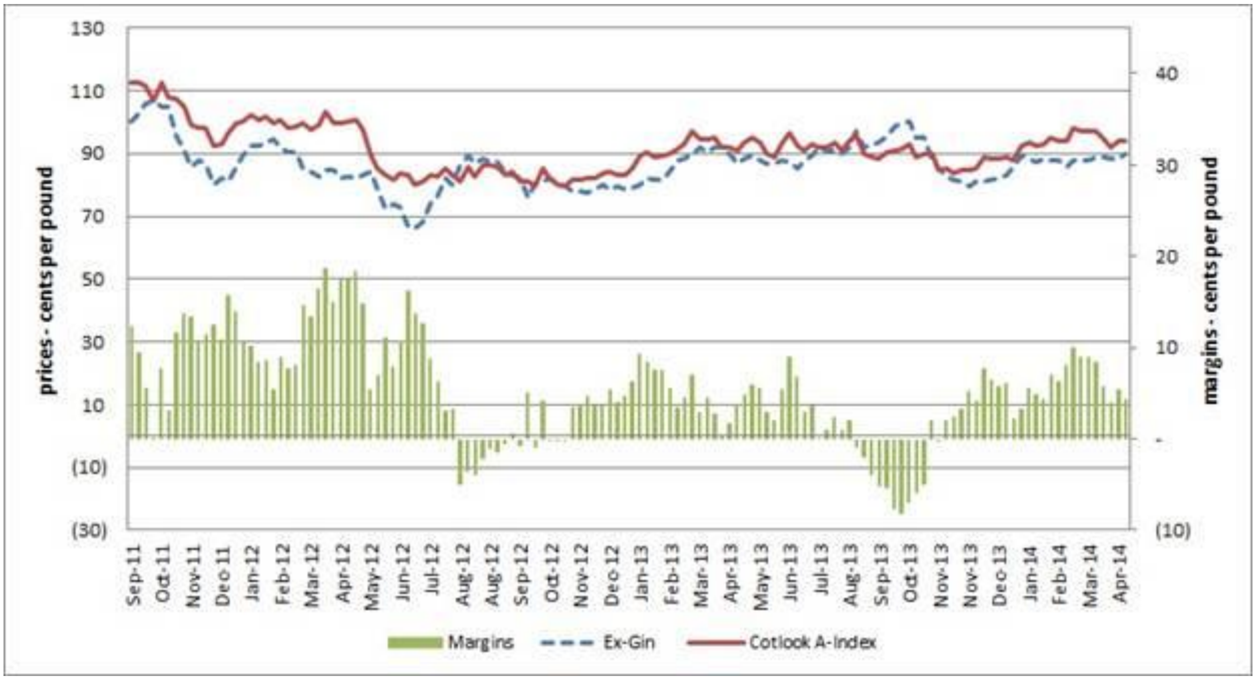
Table 4: Cotton Yarn Export Registration Data

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		
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

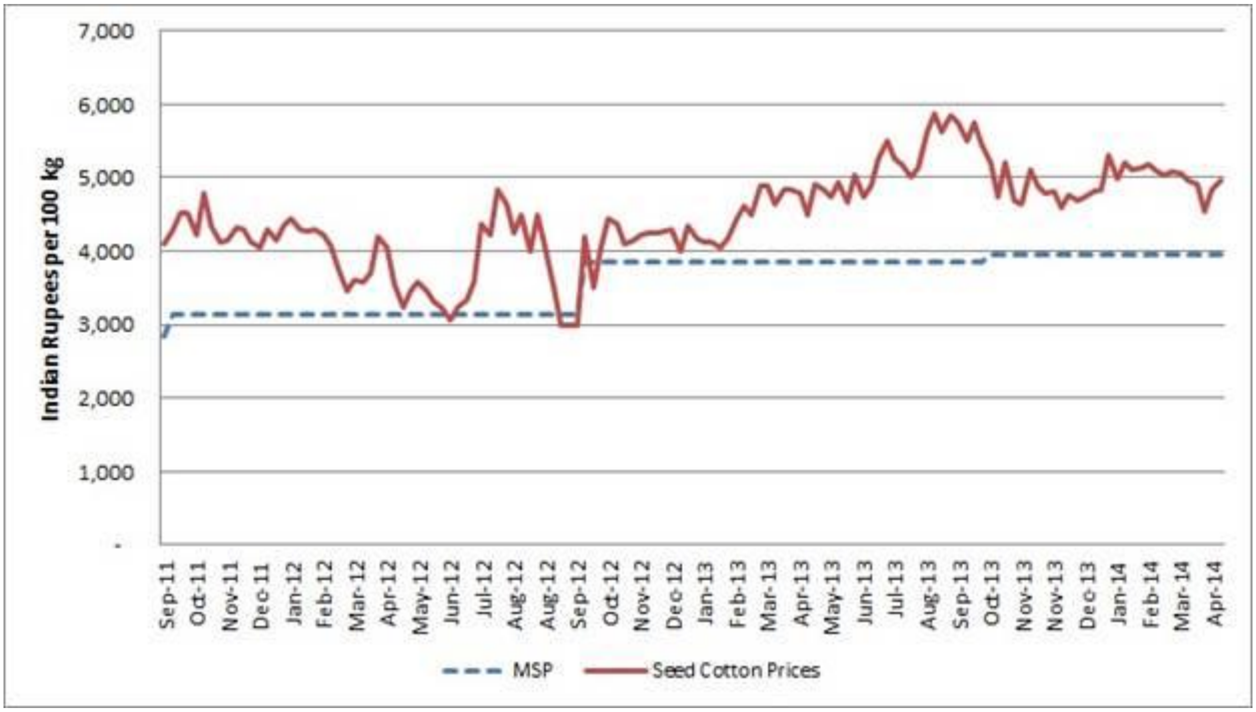
Source: Directorate General of Foreign Trade, Export Cell

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