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Cotton and Products

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Report Highlights:

Post estimates marketing year (MY) 2019/20 cotton production at 29 million 480 lb. bales (37.1 million 170-kilogram bales/6.3 MMT) with a planting area of 12.5 million hectares. Planted area for *Kharif* 2019 season in Central India is five percent higher than last year due to high domestic seed cotton prices and delayed monsoon rains that limited alternate crop planting options. MY 2019/20 mill consumption is lowered due to weak global demand, which is carried over from the current 2018/19 season. While export prospects have diminished, imports are expected to remain stable as they remain price competitive against domestic supplies.

Area and Production:

Post estimates India's marketing year (MY) 2019/20 cotton production at 29 million 480 lb. bales (37.1 million 170-kilogram bales/6.3 MMT) with a planting area of 12.5 million hectares.

Post's area estimate is 100,000 hectares (0.8 percent) lower than official USDA estimate. Post anticipates marginal reductions in the cotton areas of Central Maharashtra due to a growing shift towards soybeans, and the southern state of Karnataka where cotton is expected to be replaced by pulses (tur) and corn due to state government targets aimed at increasing the production of food crops. Post's MY 2019/20 production estimate is consistent with the official USDA figure, however Post estimates slightly higher yields at 505 kilograms per hectare.

Planted area for cotton reached 9.6 million hectares as of July 19, four percent higher than last year and five percent higher than five-year average. Recent southwest monsoon rains have encouraged an accelerated pace of sowings across Central India. The cumulative cotton planted area as on July 19, 2019 in Central India (comprised of the states of Gujarat, Maharashtra and Madhya Pradesh) is up by five percent compared to last year. Planting in the northern states of Punjab, Haryana and Rajasthan was completed in early July and the crop area for this region rose by 19 percent compared to last year.

Recent Post travel to Eastern Maharashtra (Vidarbha) region demonstrated a significant increase in the planting of cotton across the region. This growing cotton area is replacing pulses and soybeans. The eastern part of Maharashtra experienced a deficit in rainfall in June, but monsoon rains improved in July which increased planting progress. This delay in rains also prompted farmers to plant more cotton due to its relative drought tolerance. According to the state agriculture department, 50 to 75 percent of cotton sowing has been completed for the state. Planting in Maharashtra state overall is five percent lower than last year due to a growing shift towards soybean plantings in the central part of the state that is greater than the increased planting area in the east.

Arrivals

On July 12, the Cotton Corporation of India (CCI) estimated MY 2018/19 cotton arrivals at 24.3 million 480-lb. bales (31.1 million 170-kilogram bales/5.3 MMT). CCI reported that arrivals represent 92 percent of the total production estimate of the Cotton Advisory Board (CAB). Historically, CCI market arrivals from July to September average around 1 million 480 lb. bales (1.4 million 170-kilogram bales) based on a ten-year average, and around 1.3 million 480 lb. bales (1.7 million 170-kilogram bales) based on the five-year average. FAS anticipates five percent of the remaining crop to arrive in the market by end of the Indian marketing year (Oct/Sep).

2019 Minimum Support Price (MSP) increased by two percent

On July 3, 2019, the government of India announced the increase of the MSP for cotton (medium staple) and cotton (long staple) by Rs. 105 per 100 kilograms and Rs. 100 per 100 kilograms, respectively. The new prices are a two percent increase from 2018 MSP prices. For more details, please refer to [PIB Press Release 191129](#). The higher MSP prices coupled with weak mill demand will likely lead the Cotton Corporation of India (CCI) under the Ministry of Textiles to procure cotton supplies in MY 2019/2020. CCI is currently holding a stock of approximately 742,000 480-lb bales (161,500 MT/950,000 170-kg bales) which remains unsold from MY 2018/19 season.

Consumption:

Post estimates MY 2019/20 cotton consumption at 24.6 million 480 lb. bales (31.5 million 170-kilogram bales/5.4 MMT), 900,000 480 lb. bales lower than USDA’s official estimate. Post anticipates that higher cotton production in MY 2019/20 will ensure ample fiber supplies to cater to both the domestic and export markets, but weak global demand for fiber coupled with strong competition from foreign suppliers will make Indian products less competitive in the global market. Average domestic wholesale seed cotton prices have fallen marginally by three percent from last month. However, Indian ex-gin cotton prices are almost 8-10 cents higher than Cotlook A-Index, prompting mills to augment their requirements with imports. India cotton imports constitute nearly 4-5 percent of total fiber supply. If the differential between domestic and international prices does not decline, the mills will limit their purchases of local supplies and rely increasingly on imports. High domestic cotton prices will force mills to look at altering the poly-cotton blends as polyester prices have been declining.

Trade:

Post estimates MY 2019/20 exports at 4.3 million 480-lb bales (5.5 million 170-kilogram bales/936,000 MT). While the prospects of a larger crop should result in greater export outflows, Indian cotton prices are currently uncompetitive in the global market compared to other suppliers. Monthly export shipments have fallen significantly in June 2019 with Bangladesh being the sold dominant buyer. High domestic cotton fiber prices will also result in higher costs for the textile sector which is already experiencing thin margins. In MY 2018/19, cotton yarn exports (by volume) are two percent lower as compared to previous year. Exports in April were lower by 24 percent than previous month. Similarly, in MY 2018/19, cotton fabric exports (by volume) are higher by fourteen percent from last year.

Post estimates MY 2019/20 imports at 1.3 million 480 lb. bales (1.7 million 170-kilogram bales / 283,000 MT), 100,000 480 lb. bales lower than USDA’s official estimate. MY 2018/19 imports are revised higher to 1.6 million 480 lb. bales (2 million 170-kilogram bales/ 348,000 MT). Shipments from the United States and Egypt continue to drive up bulk import volumes. Imports are expected to continue to remain firm as higher domestic prices prompt mills to source cotton from foreign origins with more competitive prices

Policy:

Indian government focused on improving cotton quality

Traditionally, Indian cotton has been sold at discounted rates in international markets due to the high level of foreign matter and contamination. However, the Government of India (GOI) and various state governments are initiating programs to improve cotton quality. One of the initiatives for better quality management includes the introduction of a cotton bale tagging regulation. The Ministry of Textiles proposed a Draft Cotton Bales (Quality Control) Order in July 2018 for comments. This order is expected to be finalized later this year. As per the draft order, all Indian cotton bales will be required to bear a Standard Mark under a license from Bureau of Indian Standards (BIS). For more details please refer [IN8097](#).

Production, Supply and Demand Data Statistics:

Cotton	2017/2018	2018/2019	2019/2020
Market Begin	Aug 2017	Aug 2018	Aug 2019

Year						
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	12,600	12,600	12,600	12,600	12,600	12,500
Beginning Stocks	7,880	7,880	9,225	9,047	8,425	9,647
Production	29,000	29,000	26,500	26,500	29,000	29,000
Imports	1,677	1,677	1,500	1,600	1,400	1,300
MY U.S. Imports	-	-	-	-	-	-
Total Supply	38,557	38,557	37,225	37,147	38,825	39,947
Exports	5,182	5,200	3,800	3,600	4,400	4,300
Use	24,150	24,310	25,000	23,900	25,500	24,600
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,150	24,310	25,000	23,900	25,500	24,600
Ending Stocks	9,225	9,047	8,425	9,647	8,925	11,047
Total Distribution	38,557	38,557	37,225	37,147	38,825	39,947
Stock to Use (b)	31	31	29	35	30	38
Yield (c)	501	501	458	458	501	505
Figures in Thousand 480-lb Bales, Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares						

Table 1: India's Kharif 2019 Cotton Sowing Position (area in hectares)

State	2019/20 as of July 19, 2019	2018/19 as of July 19, 2018	Normal Area**	Y-o-Y Change	Change from Normal
Andhra Pradesh	155,100	229,000	255,700	-32%	-39%
Telangana	1,353,200	1,475,900	1,340,600	-8%	1%
Gujarat	2,142,800	1,722,900	2,010,700	24%	7%
Haryana	676,000	665,000	607,800	2%	11%
Karnataka	217,000	258,000	359,800	-16%	-40%
Madhya Pradesh	573,100	524,000	492,000	9%	16%
Maharashtra	3,322,000	3,501,000	3,207,700	-5%	4%
Odisha	128,000	103,800	107,900	23%	19%
Punjab	402,000	284,000	365,000	42%	10%
Rajasthan	636,000	485,700	415,900	31%	53%
Tamil Nadu	3,400	3,600	3,500	-6%	-3%
Others	27,100	17,200	23,000	58%	18%
All India	9,635,700	9,270,100	9,189,600	4%	5%

Source: Ministry of Agriculture and Farmers Welfare, Government of India

** Normal Area is the five-year average during 2014 through 2018

Table 2. India: State monthly wholesale prices for cotton in June 2019 (Prices in Indian Rupees per 100 kilograms)

State	Prices July, 2019	Prices June, 2019	Prices July, 2018	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	6,006	6,047	5,841	-0.68%	2.82%
Gujarat	5,874	5,726	5,564	2.59%	5.56%
Haryana	6,077	6,210	5,699	-2.15%	6.64%
Karnataka	5,731	6,090	5,391	-5.90%	6.31%
Madhya Pradesh	5,578	5,714	4,858	-2.39%	14.82%
Maharashtra	5,850	6,243	5,097	-6.29%	14.78%
Odisha	4,804	4,580	-	4.88%	-
Punjab	5,026	-	5,406	-	-7.03%
Rajasthan	6,370	6,583	5,871	-3.24%	8.49%

Tamil Nadu	5,788	5,686	4,725	1.80%	22.50%
Telangana	6,028	6,038	5,323	-0.17%	13.23%
Average	5,739	5,892	5,377	-2.59%	6.73%

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare

Table 3a. India: Estimate of 2017/18 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,481	13,342	61,279
October Exports 1\	70,773	12,031	55,260
November Exports 1\	564,847	96,024	441,035
December Exports 1\	1,032,618	175,545	806,272
January Exports 1\	934,086	158,795	729,338
February Exports 1\	830,966	141,264	648,821
March Exports 1\	887,481	150,872	692,948
April Exports 1\	823,273	139,956	642,815
May Exports 1\	569,878	96,879	444,963
June Exports 1\	499,588	84,930	390,080
July Exports 1\	280,885	47,750	219,316
Total	6,659,538	1,132,121	5,199,793

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

Table 3b. India: Estimate of 2018/19 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	192,083	32,654	149,979
September Exports 1\	96,376	16,384	75,251
October Exports 1\	228,609	38,863	178,499
November Exports 1\	653,622	111,116	510,351
December Exports 1\	901,197	153,204	703,658
January Exports 1\	689,854	117,275	538,640
February Exports 1\	546,359	92,881	426,599
March Exports 1\	703,311	119,563	549,148
April Exports 1\	211,238	35,910	164,935
May Exports 2\	161,465	27,449	126,072
June Exports 2\	83,524	14,199	65,216
Preliminary Total (Aug-Jun)	4,467,638	759,498	3,488,349

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

Schedule code 5201 – raw cotton.
 2\ FAS Analysis

Table 4a. India: Estimate of 2017/18 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,605	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,805	10,167	46,696
January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 1\	212,332	36,096	165,789
May Imports 1\	198,388	33,726	154,902
June Imports 1\	217,114	36,909	169,524
July Imports 1\	182,849	31,084	142,770
Total	2,147,329	365,046	1,676,643

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

Table 4b. India: Estimate of 2018/19 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	153,248	26,052	119,656
September Imports 1\	134,210	22,816	104,792
October Imports 1\	87,296	14,840	68,161
November Imports 1\	57,035	9,696	44,533
December Imports 1\	59,322	10,085	46,319
January Imports 1\	86,485	14,702	67,528
February Imports 1\	85,275	14,497	66,583
March Imports 1\	151,137	25,693	118,008
April Imports 1\	177,345	30,149	138,472
May Imports 2\	250,029	42,505	195,224
June Imports 2\	427,453	72,667	333,757
Preliminary Total (Aug-Jun)	1,668,835	283,702	1,303,033

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

Schedule code 5201 – raw cotton.

2\ FAS Analysis

**Table 5: India's Cotton Yarn* Exports by Month
(Figures in thousand Metric Tons)**

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	93	113	94	117	66	79	108
Sep	65	108	98	112	77	99	98
Oct	76	119	101	106	76	98	97
Nov	87	106	125	105	103	111	95
Dec	108	113	125	115	173	116	92
Jan	99	131	113	104	132	87	91
Feb	102	108	119	100	107	95	100
Mar	107	117	122	112	89	118	117
Apr	80	94	104	105	66	106	89
May	95	93	99	94	65	109	77**
Jun	103	76	103	92	78	117	59**
Jul	111	87	118	75	71	101	
TOTAL	1,126	1,266	1,321	1,237	1,102	1,236	

*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

** Provisional estimate

**Table 6: India's Cotton Fabric* Exports by Month
(Figures in thousand square meters)**

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	77,093	78,908	92,491	101,473	114,071	107,441	147,670
Sep	72,827	101,017	98,636	103,974	104,661	123,563	126,496
Oct	70,553	101,327	108,182	117,801	105,404	109,572	142,180
Nov	66,084	85,897	103,471	95,082	87,723	118,218	119,191
Dec	75,412	100,335	105,335	120,598	111,894	132,634	132,016
Jan	74,000	91,169	93,192	116,656	107,512	125,357	136,850

	8						2
Feb	65,14 1	87,377	96,586	107,487	115,131	113,085	135,72 1
Mar	75,32 9	98,696	105,169	120,461	112,033	133,115	162,70 2
Apr	65,68 3	88,629	86,833	109,559	94,314	114,617	126,01 0
May	65,46 9	81,581	103,443	103,401	89,070	119,819	
Jun	67,76 0	94,572	103,909	97,017	93,372	122,381	
Jul	78,54 7	87,284	97,115	98,890	94,399	113,613	
TOTAL	853,9 06	1,095,9 04	1,194,3 61	1,292,3 97	1,229,5 84	1,433,4 57	

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

Table 6: India's Cotton Consumption (Mill & Small Sector Units) By Month
(Figures in Million 480 lb. Bales)

Month	2012/1 3	2013/1 4	2014/1 5	2015/1 6	2016/1 7	2017/1 8	2018/1 9
Aug	1.723	1.892	1.910	2.019	1.903	1.885	2.209
Sep	1.676	1.851	2.015	1.919	1.807	1.685	1.960
Oct	1.706	1.876	1.886	1.929	1.680	1.728	1.876
Nov	1.647	1.793	1.955	1.822	1.800	1.811	1.822
Dec	1.768	1.965	2.022	1.990	1.920	1.963	1.920
Jan	1.819	1.967	2.012	1.972	1.954	1.960	1.863
Feb	1.737	1.814	1.919	1.924	1.908	1.950	1.838
Mar	1.843	1.957	2.044	2.000	2.022	2.024	1.886
Apr	1.813	1.898	1.997	1.949	1.926	2.003	1.772
May	1.784	1.904	2.000	1.982	1.938	2.061	
Jun	1.758	1.882	2.000	1.982	1.910	2.022	
Jul	1.883	1.916	1.996	1.953	1.929	2.225	
Loss*	0.611	0.493	0.390	1.405	1.679	0.997	0.937
Total	21.767	23.208	24.146	24.847	24.374	24.313	

Figures in Bold are Provisional

*Loss estimate from the Cotton Advisory Board added into total consumption

Source: Textile Commissioner's Office, Government of India