

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary Public

Date: 12/31/2012

GAIN Report Number: IN2174

India

Post: New Delhi

Cotton and Products Update December 2012

Report Categories:

Cotton and Products

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Report Highlights:

The pace of cotton arrivals continues to lag the year ago pace by 700,000 170 kg bales. Weak market prices have prompted the Cotton Corporation of India to begin procurement under minimum support price operations, mainly in Andhra Pradesh where the crop was affected by a cyclone a few weeks ago. FAS Mumbai continues to maintain the 2012/13 cotton production estimate at 25.3 million 480 lb bales (32.5 million 170 kg bales/5.5 million metric tons), 200,000 bales below the USDA Washington estimate. Cotton exports during December were an estimated 950,000 170 kg bales, the highest monthly level since April. China continues to be the major buyer of Indian cotton. The FAS Mumbai 2012/13 export estimate is unchanged at 4.5 million 480 lb bales (5.7 million 170 kg bales/980,000 metric tons), 500,000 bales higher than the USDA Washington estimate.

General Information:

Cotton India	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	11,140	11,140	12,200	12,200	11,700	11,600
Beginning Stocks	9,374	9,374	10,674	10,464	7,744	7,284
Production	26,400	26,400	27,500	27,500	25,500	25,300
Imports	450	190	600	400	1,500	1,000
MY Imports from U.S.	100	0	0	0	0	0
Total Supply	36,224	35,964	38,774	38,364	34,744	33,584
Exports	5,000	5,000	11,080	11,080	4,000	4,500
Use	20,550	20,500	19,950	20,000	22,000	21,000
Loss	0	0	0	0	0	0
Total Dom. Cons.	20,550	20,500	19,950	20,000	22,000	21,000
Ending Stocks	10,674	10,464	7,744	7,284	8,744	8,084
Total Distribution	36,224	35,964	38,774	38,364	34,744	33,584

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

Slow pace of arrivals and MSP Procurement

On December 16, 2012, cotton arrivals had reached 6.2 million 170 kg bales (4.84 million 480 lb bales/1.05 million metric tons) compared to 6.9 million 170 kg bales (5.38 million 480 lb bales/1.17 million metric tons) last year. The 11 percent reduction in the pace of arrivals is attributed mainly to farmers holding cotton in anticipation of better prices. Daily arrivals are reported between 175,000 to 185,000 170 kg bales. The Cotton Corporation of India (CCI) has commenced minimum support price (MSP) operations with procurement of 985,000 170kg bales (770,000 480 lb bales/167,450 metric tons) for Indian marketing year (MY) 2012/13 (Oct/Sep). The procurement by CCI is equivalent to 16 percent of the total arrivals for the current marketing year. The Government of India has fixed the MSP, the prices at which state-run agencies purchase produce directly from farmers, at Rs. 3,850 per 100 kg (32 cents per pound) for the long staple Shankar 6 variety.

The MSP procurement is mostly being done in central and southern cotton growing regions in India. More than 90 percent of the procurement has happened in cyclone-affected Andhra Pradesh, the third-largest cotton growing state. Andhra Pradesh was hit by cyclone Nilam a few months ago leading to flooding and strong winds affecting the quality of the crop (See [IN2156](#)). The FAS Mumbai production estimate is unchanged at 25.3 million 480 lb bales, 200,000 bales lower than the USDA Washington estimate. The FAS Mumbai 2012/13 area harvested estimate is unchanged from a month ago.

Rising Exports

Exports from August to December reached an estimated 2.0 million 170 kg bales (1.57 million 480 lb bales/307,800 metric tons). Preliminary data suggest that exports surged during November and December at nearly 1.65 million 170 kg bales (1.28 million 480 lb bales/280,500 metric tons). Currently, Indian cotton prices are trading at a slight discount to world prices. Exports have also been aided by a weak rupee. China continues to be the major export market for Indian cotton. Other major markets for exports include Bangladesh, Vietnam and Pakistan. The FAS Mumbai export estimate remains unchanged at 4.5 million 480 bales, 500,000 bales higher than the USDA Washington estimate.

Imports are estimated at 830,000 170 kg bales (655,000 480 lb bales/142,000 metric tons) through the end of December. The import pace is expected to drop further as mills shift to their established import pattern of small but consistent imports of longer staple and quality cottons. The FAS Mumbai 2012/13 import estimate is unchanged from a month ago at 1.0 million 480 lb bales (1.28 million 170 kg bales/217,700 metric tons). The 2011/12 import estimate reflects final data.

Domestic Consumption

Cotton yarn prices have remained stable (See Table 6) mainly due to continued demand from China and Bangladesh. Domestic demand for cotton has been weak of late, but is expected to improve over the next few months as mills work off their supplies of imported cotton and the domestic cotton they had in place to cover their pre-harvest needs. FAS Mumbai continues to estimate 2012/13 cotton consumption at 21.0 million 480 lb bales (4.48 million metric tons/26.4 million 170 kg bales), 500,000 bales below the USDA Washington estimate.

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\	14,178,601	2,410,362	11,070,706

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\	103,453	17,587	80,777
October Preliminary Exports 2\	200,212	34,036	156,326
November Estimated Exports 3\	700,000	119,000	546,563
December Estimated Exports 3\	950,000	161,500	741,764
Preliminary Total Aug-Dec	2,010,559	307,793	1,569,853

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\	499,525	84,919	390,031

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\	205,024	34,854	160,084
October Preliminary Imports 2\	312,776	54,702	251,244
November Estimated Imports 3\	180,000	30,600	140,545
December Estimated Imports 3\	70,000	11,900	54,656
Preliminary Total Aug-Dec	830,735	142,755	655,669

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)

	2009/10	2010/11	2011/12	2012/13
Aug	1.859	2.173	1.864	2.189
Sep	1.829	2.143	2.170	2.116
Oct	1.812	2.209	1.776	
Nov	1.847	2.110	1.834	
Dec	1.949	2.257	2.013	
Jan	1.954	2.210	2.033	
Feb	1.881	2.023	2.030	
Mar	2.001	2.176	2.038	
Apr	2.053	2.017	2.031	
May	2.093	1.864	2.128	
Jun	2.071	1.823	2.093	
Jul	2.211	1.900	2.192	
Loss*	1.700	1.338	1.409	2.000
Total	25.260	26.243	25.611	

Source: Textile Commissioner

*Loss estimate from the Cotton Advisory Board

Table 4: Cotton Yarn Export Registration Data

Month	Quantity	Month	Quantity
	(Million kg)		(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		
Jan-12	79.148		
Feb-12	60.518		
Mar -12 (P)	64.227		
Apr -12 (P)	62.811		
May -12 (P)	74.455		
Jun -12 (P)	82.419		
Jul -12 (P)	94.507		

(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell

Table 5: Indian Cotton Prices Compared to International Prices

(cents/lb)

	India Ex-Gin*	ICE Futures Nearby	Difference ICE vs. Ex-Gin*	Cotlook A Index	Difference Cotlook vs. Ex-Gin*
April 13	80	92	+12	100	+20
April 20	80	90	+10	100	+20
April 27	80	89	+9	101	+21
May 4	83	87	+4	98	+15
May 11	84	79	-5	90	+6
May 18	80	78	-2	85	+5
May 25	75	74	-1	83	+8
June 1	77	69	-8	82	+5
June 8	74	73	-1	84	+10
June 15	76	78	+2	83	+7
June 22	78	74	-4	80	+2
June 29	80	71	-9	81	+1
July 6	82	71	-11	83	+1
July 13	83	73	-10	83	0
July 20	90	73	-17	85	-5
July 27	89	71	-18	83	-6
Aug 03	89	74	-15	81	-8
Aug 10	91	73	-18	86	-5
Aug 17	89	73	-16	83	-6
Aug 24	90	75	-15	86	-4
Aug 31	90	77	-13	87	-3
Sep 07	90	76	-14	86	-4
Sep 14	85	76	-9	83	-2
Sep 21	83	73	-10	84	1
Sep 28	80	71	-9	81	1
Oct 05	76	71	-5	81	5
Oct 12	81	71	-10	80	-1
Oct 19	81	77	-4	85	4
Oct 26	82	72	-10	82	0
Nov 02	80	70	-10	80	0
Nov 09	79	70	-9	79	0
Nov 16	78	73	-5	81	3
Nov 23	78	70	-8	82	4
Nov 30	78	74	-4	82	4
Dec 07	79	74	-5	82	3
Dec 14	80	75	-5	84	4
Dec 21	79	76	-3	84	5

*Indian ex-gin prices are from the Cotton Association of India.

Table 6: Indian Spinning Margins (cents/lb)

	India Cotton Ex-Gin*	India 40s Warp Yarn**	Spinning Margin
April 13	80	161	81
April 20	80	161	81
April 27	80	161	81
May 4	83	161	78
May 11	84	169	85
May 18	80	169	89
May 25	75	169	94
June 1	77	166	89
June 8	74	166	92
June 15	76	164	88
June 22	78	164	86
June 29	79	166	87
July 6	82	169	87
July 13	83	169	86
July 20	89	173	84
July 27	89	181	92
Aug 03	89	181	92
Aug 10	91	181	90
Aug 17	89	181	92
Aug 24	90	181	91
Aug 31	90	183	93
Sep 07	90	181	91
Sep 14	85	181	96
Sep 21	83	181	98
Sep 28	80	181	101
Oct 05	76	178	102
Oct 12	81	166	85
Oct 19	81	165	84
Oct 26	82	163	81
Nov 02	80	164	84
Nov 09	79	162	83
Nov 23	78	160	82
Nov 30	78	158	80
Dec 07	79	163	84
Dec 14	80	163	83
Dec 21	79	161	82

*Source: Cotton Association of India

**Source: Local industry

