

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Date: 6/3/2014

GAIN Report Number: IN4040

India

Post: New Delhi

Cotton Monthly Update - May 2014

Report Categories:

Cotton and Products

Approved By:

David Williams

Prepared By:

Dhruv Sood

Report Highlights:

MY 2013/14 production is estimated 1.0 million 480 lb bales higher at 30.5 million 480 lb bales. Cotton arrival data continues to support a larger crop estimate, especially across the large cotton producing states of Gujarat and Maharashtra. Exports are also estimated higher at 9.2 million 480 lb bales as China continued to source cotton during May. A stronger rupee has helped to push Indian cotton prices above the Cotlook A index, which, coupled with the end of the marketing year, suggests that the 2013/14 export juggernaut will start to wind down. 2014/15 cotton planting has begun across irrigated northern India and is proceeding at an average pace. The rest of India awaits the start of the monsoon in order to begin planting.

Cotton India	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		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	11,800	11,800
Beginning Stocks	10,869	10,819	11,969	10,769	10,419	9,269
Production	28,500	28,500	29,500	30,500	28,500	28,000
Imports	1,200	1,200	750	700	1,000	1,000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	40,569	40,519	42,219	41,969	39,919	38,269
Exports	7,750	7,750	8,800	9,200	5,700	6,000
Use	21,850	22,000	23,000	23,500	23,500	23,500
Loss	-1,000	0	0	0	0	0
Total Dom. Cons.	20,850	22,000	23,000	23,500	23,500	23,500
Ending Stocks	11,969	10,769	10,419	9,269	10,719	8,769
Total Distribution	40,569	40,519	42,219	41,969	39,919	38,269

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

Production Continues to Surprise

Marketing year (MY) 2013/14 production is estimated 1.0 million 480 lb bales higher at 30.5 million 480 lb bales (39 million 170 kg bales). Farm-gate cotton prices have continually declined since January (see Figure 1b), despite robust domestic mill consumption and strong export shipments, lending support to the notion that supplies are larger than originally predicted. Cotton yield is estimated at a record 568 kg per hectare surpassing the previous record of 553 kg per hectare in MY 2007/08. Record production appears to be a reflection of timely and well-distributed rains during the 2013 monsoon, especially across the major cotton producing states of Maharashtra and Gujarat.

On May 27, MY 2013/14 cotton arrivals, as reported by the Cotton Corporation of India (CCI), had reached 34.9 million 170 kg bales (27.2 million 480 lb bales/5.9 mmt) compared to 34.25 million 170 kg bales (26.8 million 480 lb bales/5.8 mmt) a year ago. Despite slow arrivals in the north and Andhra Pradesh, arrivals have reached what is likely the highest level ever for the middle of May (See Table 5).

It is still not clear if the pace of arrivals will accelerate in the North. Unusually wet weather over the past few months reportedly delayed deliveries and farmers have been busy with the wheat harvest and

the start of summer planting. Farm prices there have dropped over the past few months, suggesting that supplies are available or demand is weak. Weak demand seems an unlikely cause given current healthy spinning and ginning margins, but time will tell if more cotton is lying in wait on northern farms.

CCI Procurement

In MY 2013/14, CCI has procured a total of 450,000 170 kg bales (351,000 480 lb bales/76,500 mt) with 400,000 170 kg bales (312,000 480 lb bales/68,000 mt) procured under commercial operations, and 50,000 bales (39,000 480 lb bales/8,500 mt) procured under support price operations in Andhra Pradesh.

2014 Planting Begins

On May 28, 2014, the planted area under cotton as reported by the Ministry of Agriculture was around 1.16 million hectares, similar to MY 2013/14, but 12 percent higher than MY 2012/13 crop season. The normal area for the same period is 1.04 million hectares. Virtually all planting is taking place in the irrigated north as the rest of India awaits the start of the monsoon. Sowing in Punjab has reached 400,000 hectares. Sowing in states of Haryana and Rajasthan has reached 531,000 hectares and 50,000 hectares respectively.

Trade

Exports for MY 2013/14 have been revised to 9.2 million 480 lb bales to reflect the strong pace of shipments that has continued in May. May exports shipments are estimated around 550,000 170 kg bales (429,000 480 lb bales / 93,500 mt), with China remaining the top export market with almost 60 percent share of exports. Bangladesh and Vietnam were the other export destinations. MY 2012/13 export estimate has been revised to 7.75 million 480 lb bales from 7.7 million 480 lb bales to reflect updated official data. 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 estimates remain unchanged.

Consumption

The MY 2013/14 consumption estimate has been revised 500,000 480 lb bales higher to 23.5 million 480 lb bales. With mill consumption remaining robust and average consumption remaining around 2.4 million 170 kg bales since beginning of MY 2013/14 (Aug/Jul), consumption is expected to remain strong in MY2013/14. Ginners are making good margins as seed cotton prices remain low and ex-gin prices strengthen.

High Density Planting Systems (HDPS)

In an effort to improve crop yields, the Government of India has undertaken trials of non-bt varieties under the HDPS system. Planting trials are ongoing on a smaller scale for rain-fed regions of 10 cotton growing states (Haryana, Punjab, Rajasthan, Gujarat, Madhya Pradesh, Maharashtra, Andhra Pradesh, Odisha, Karnataka and Tamil Nadu) to improve and sustain cotton yields on marginal soils. Farmer

assistance is being provided up to Rs. 9,000 (\$150) per hectare to cover the input costs (seeds, fertilizer, micronutrients, bio-pesticides, seeds of inter-crops, and natural insect control). In Punjab, the state government has announced a proposed plan for crop diversification, providing an incentive of Rs. 4,000 (\$66) per hectare to farmers for switching from paddy cultivation to cotton under HDPS model. This scheme is only operational in selected districts on a trial basis, but points to what may be increased future efforts to give farmers incentives to shift out of rice production in northern India.

2014/15 Estimates

Revisions to the 2014/15 forecast reflect previous FAS Mumbai estimates.

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\	347,694	59,108	271,481
May Exports 1\	283,694	48,228	221,509
June Exports 1\	361,971	61,535	282,628
July Exports 1\	278,000	47,260	217,063
Official Total Aug-Jul	9,939,835	1,689,772	7,761,062

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\	260,571	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 Preliminary Exports 2\	1,291,771	219,601	1,008,619
April Estimated Exports 3\	930,000	158,100	726,148
May Estimated Exports 3\	550,000	93,500	429,442
Preliminary Total Aug-May	11,157,559	1,896,785	8,711,865

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	75,664
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 2\	41,576	7,068	32,463
March Preliminary Imports 2\	50,918	8,656	39,757
April Estimated Imports 3\	66,000	11,220	51,533
May Estimated Imports 3\	47,000	7,990	36,698
Preliminary Total Aug-May	635,212	107,986	495,976

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	2.325
Dec	1.949	2.257	2.013	2.264	2.515
Jan	1.954	2.210	2.033	2.330	2.534
Feb	1.881	2.023	2.030	2.224	2.401
Mar	2.001	2.176	2.038	2.361	2.403
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

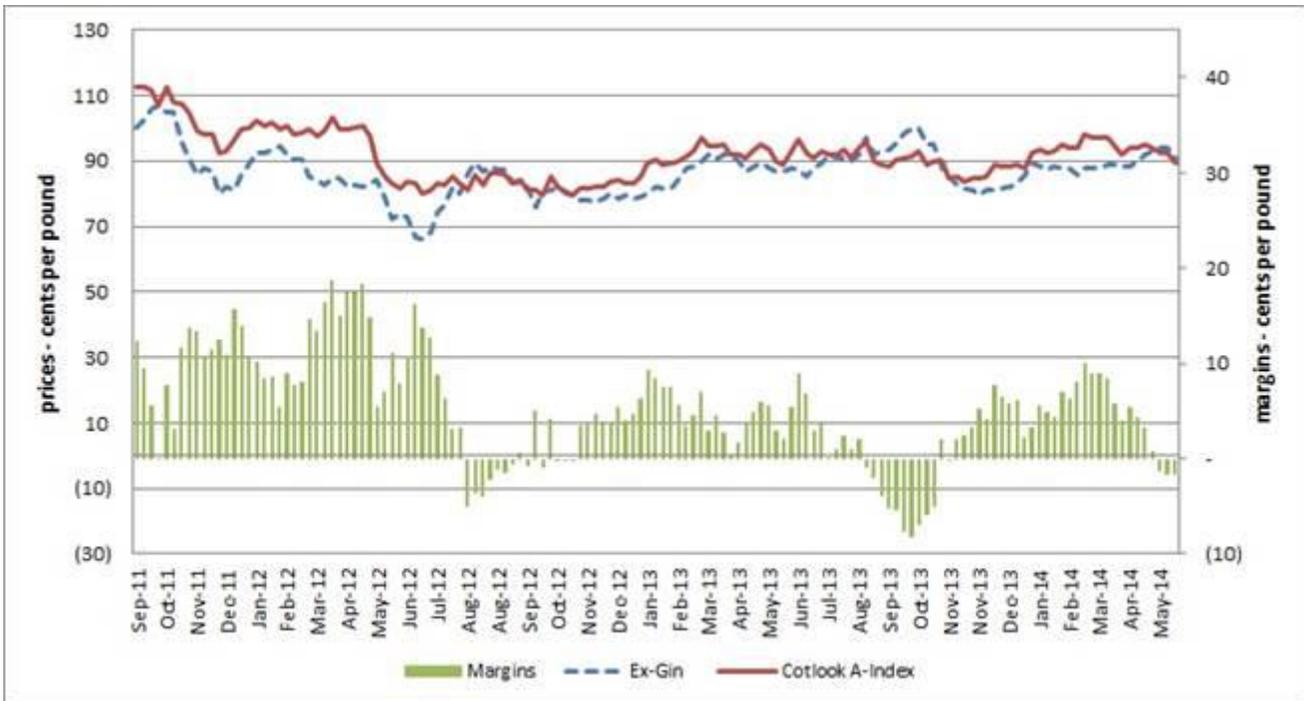
Source: Directorate General of Foreign Trade, Export Cell

Table 5: MY 2013/14 Cotton Arrivals as on May 27
(Million 170 kg bales)

Year	2011	2012	2013	2014
Quantity	32.15	32.12	34.25	34.90

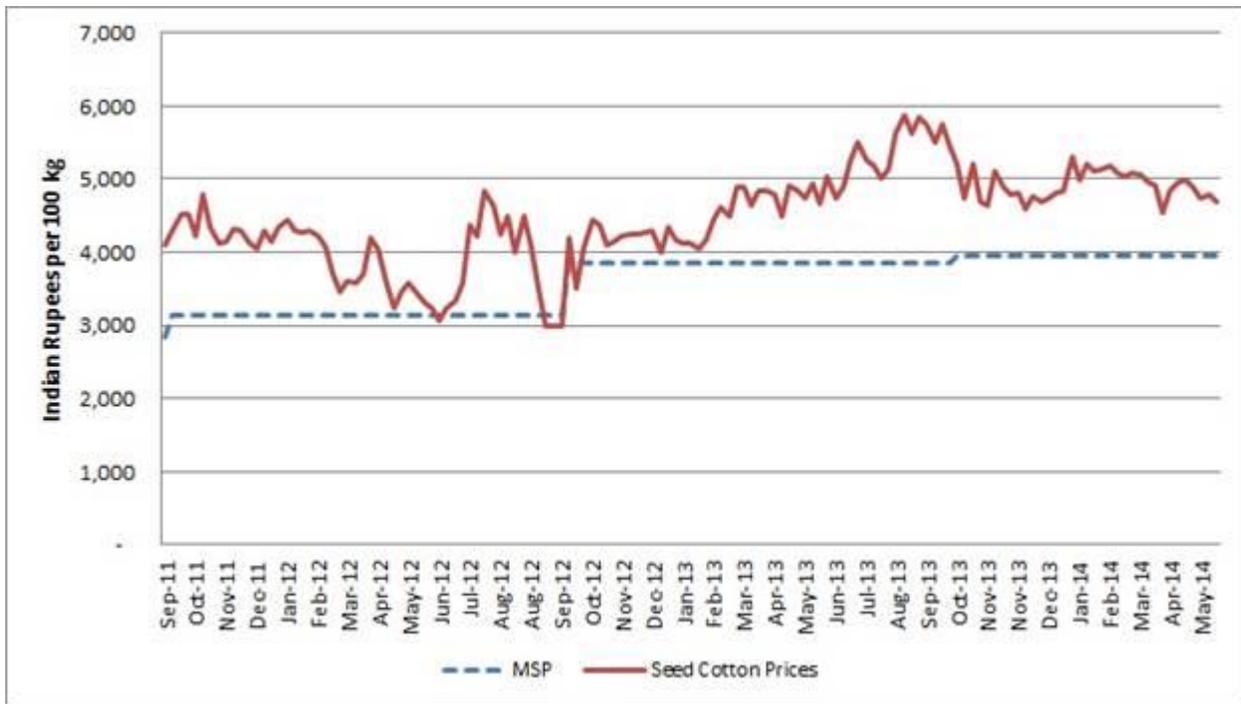
Source: Cotton Corporation of India

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
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