Voluntary - Public

Date: 10/7/2015
GAIN Report Number: IN5128

India

Post: New Delhi

Cotton and Products Update - September 2015

Report Categories:
Cotton and Products

Approved By:
Adam Branson
Prepared By:
Dhruv Sood

Report Highlights:
The MY 2015/16 production estimate is 28.5 million 480 lb. bales as deficit rains lead to stunted crop growth and lower yields. Planted area reached 11.6 million hectares and is expected to climb higher as late sowing continues in a few southern states. Trade data reflects completed marketing year 2014/15 information. Cotton Corporation of India is expected to commence MSP procurement by the third week of October.

General Information:

Cotton Market Begin Year India	2013/2014		2014/2015		2015/2016	
	Aug 2013		Aug 2014		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested	11,700	11,960	12,700	12,900	11,800	11,800
Beginning Stocks	11,795	11,795	11,365	10,870	13,565	12,498
Production	31,000	31,000	29,500	29,600	29,000	28,500
Imports	675	675	1,200	1,226	950	800
MY Imports from U.S.	-	-	-	-	-	-
Total Supply	43,470	43,470	42,065	41,696	43,515	41,798
Exports	9,255	9,261	4,000	4,198	4,900	4,700
Use	23,350	23,339	24,500	25,000	25,700	25,300
Loss	(500)	-	-	-	-	-
Total Dom. Cons.	22,850	23,339	24,500	25,000	25,700	25,300
Ending Stocks	11,365	10,870	13,565	12,498	12,915	11,798
Total Distribution	43,470	43,470	42,065	41,696	43,515	41,798
(1000 HA) ,1000 480 lb. Bales						

Planted Area Near Completion as Sowing Should Soon Draw to a Close

Planted area reported as of October 1, 2015 has reached 11.64 million hectares compared to 12.65 million hectares last year at the same time. The FAS Mumbai planted area forecast for MY 2015 is 11.8 million hectares and in line with the USDA forecast.

Production Lowered for Inclement Weather and Poorer Plant Growth

FAS Mumbai’s production forecast is 500,000 480 lb. bales lower from the USDA forecast to 28.5 million 480 lb. bales (36.5 million 170 kg bales/6.2 mmt). During recent field travel to Gujarat, plants exhibited signs of moisture stress, wilting and stunted growth. Moreover, there was large variability in cotton plant development. Stunted growth should lead to a lower number of boll formations and reduced yields. The early sown cotton is at the flowering/boll development stage. The first picking for the area is expected to be delayed by two weeks.

According to the Indian Meteorological Department (IMD), rainfall during the southwest monsoon (June – September) was 14 percent below the long period average.

Consumption – Thin Margins and Light Demand Foreshadow Lower Mill Usage

The FAS Mumbai consumption estimate for MY 2015/16 is 25.3 million 480 lb. bales. While lower raw cotton prices are expected to push demand higher, mill demand remains weak and global exports remain subdued. Ex-gin prices are on par with the Cotlook A-Index (refer to figure 1a) and margins remain thin. Current Indian prices make Indian cotton less preferred to machine picked cotton in the global market.

MY 2014/15 consumption has been revised to 25 million 480 lb. bales to reflect the updated figures published by the Textile Commissioner's Office.

Trade Volumes Reduced for Exports and Imports Due to Sluggish Demand

The FAS Mumbai MY 2015/16 export estimate is 4.7 million 480 lb. bales (6 million 170 kg bales/1 mmt) and reflects a decrease from the USDA official forecast due to expected sluggish demand. More than 70 percent of cotton exports were to Bangladesh. China and Vietnam were the other markets with seven percent export market share each during September. Trade sources expect exports to remain weak as prices remain subdued with large domestic and global carry-over stocks.

The FAS Mumbai MY 2015/16 import estimate is 800,000 480 lb. bales (1 million 170 kg bales/ 174,000 mt). Mills may scale back imports of cotton to extra-long staple varieties once new crop Indian cotton can provide coverage on the supply side. That said, mills will continue to import for immediate requirements till new arrivals pick up. Currently, it is cheaper to import cotton than to procure domestically due to high interest rates for cotton storage and warehousing. Imports of new crop from Pakistan and Australia, followed by cheaper African imports from Cameroon and Mali, and Pima imports from the United States constituted the bulk of September imports.

Exports and imports for MY 2014/15 have been revised to reflect the final trade data (refer table 1a and 2a) published by Ministry of Commerce and Industry, Government of India.

Arrivals starting and Minimum Support Price (MSP) operations expected to follow

Cotton Corporation of India is reporting new crop arrivals of 19,500 480 lb. bales (25,000 170 kg bales/ 4,250 mt) daily across India. CCI continues holding almost 1.5 million 480 lb. bales (1.9 million 170 kg bales/323,000 mt) from its MY 2014/15 MSP procurement. Trade sources indicate that CCI will be present in the market since the beginning of the MY 2015/16 season, and the procurement under MSP could begin by the third week of October. MSP operations are expected to begin in the southern states of Telangana and Andhra Pradesh due to low farm gate prices.

In June 2015, the Government of India announced new MSP rates for MY 2015/16 (Oct/Sep) medium- and long-staple cotton. The support price for long-staple Shankar 6 variety (staple length - 27.5 to 29 mm) was fixed at Rs. 4,050 (28.4 cents per pound), and bunny brahma variety (staple length - 29.5 to 30.5 mm) at Rs. 4,100 per 100 kg (28.1 cents per pound). Details of the MSP order can be referred to on the website of Office of the Textile Commissioner.

Table 1a. India: Estimate of 2014/15 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	99,671	16,944	77,824
September Exports 1\	128,129	21,782	100,044
October Exports 1\	185,618	31,555	144,931
November Exports 1\	733,559	124,705	572,766
December Exports 1\	1,013,571	172,307	791,400
January Exports 1\	670,765	114,030	523,736
February Exports 1\	672,494	114,324	525,086
March Exports 1\	758,306	128,912	592,088
April Exports 1\	382,882	65,090	298,956
May Exports 1\	235,476	40,031	183,861
June Exports 1\	208,412	35,430	162,729
July Exports 1\	288,318	49,014	225,120
Total Aug-Jul	**5,377,200**	**914,124**	**4,198,539**

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

Table 1b. India: Estimate of 2015/16 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Estimated Exports 2\	285,000	48,450	222,529
September Estimate Exports 2\	350,000	59,500	273,281
Preliminary Total Aug-Sep	**635,000**	**107,950**	**495,810**

2\ FAS Mumbai estimate

Table 2a. India: Estimate of 2014/15 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	161,735	27,495	126,284
September Imports 1\	329,041	55,937	256,917
October Imports 1\	197,712	33,611	154,374
November Imports 1\	125,018	21,253	97,614
December Imports 1\	50,094	8,516	39,114
January Imports 1\	52,071	8,852	40,657
February Imports 1\	72,382	12,305	56,516
March Imports 1\	73,094	12,426	57,072
April Imports 1\	81,824	13,910	63,888
May Imports 1\	98,547	16,753	76,946
June Imports 1\	121,929	20,728	95,203
July Imports 1\	207,035	35,196	161,654
Total Aug-Jul	**1,570,482**	**266,982**	**1,226,239**

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

Table 1b. India: Estimate of 2015/16 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Estimated Imports 2\	150,000	25,500	117,121
September Estimated Imports 2\	175,000	29,750	136,641
Preliminary Total Aug	**325,000**	**55,250**	**253,761**

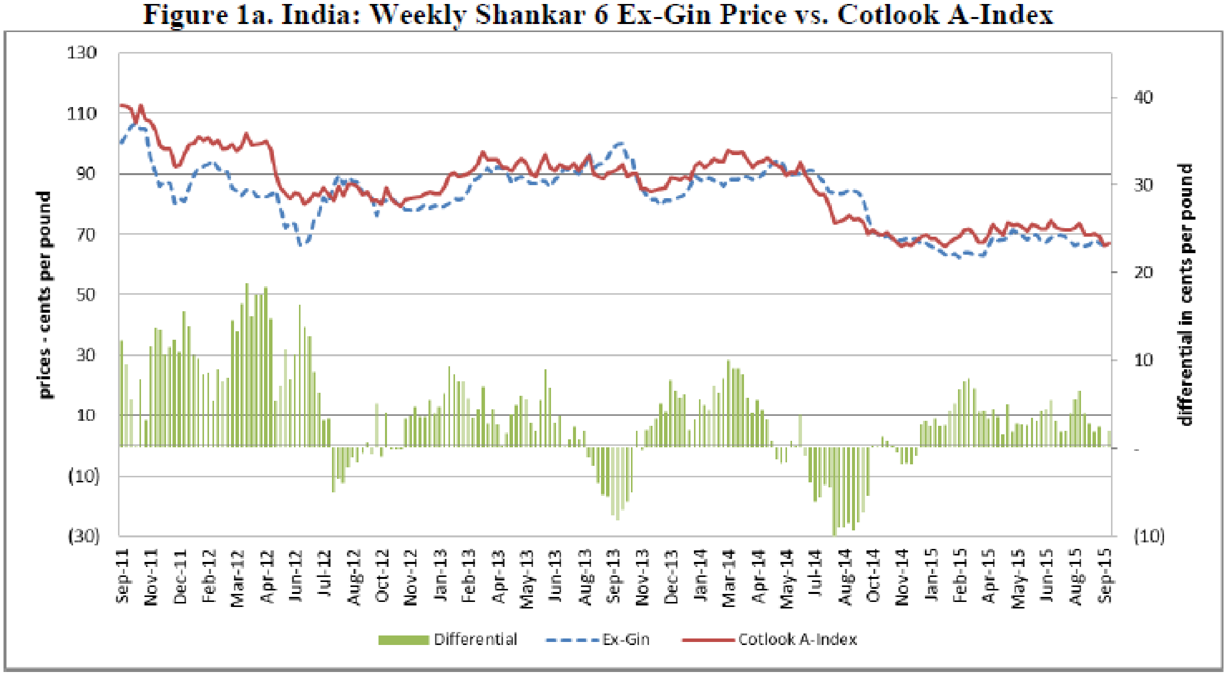
2\ FAS Mumbai estimate

Table 3. India: Monthly Cotton Consumption by the Textile Sector (Million 170 kg bales)

Month	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Aug	1.859	2.173	1.864	2.207	2.423	2.446
Sep	1.829	2.143	2.170	2.146	2.370	2.581
Oct	1.812	2.209	1.776	2.185	2.403	2.416
Nov	1.847	2.110	1.834	2.109	2.296	2.511
Dec	1.949	2.257	2.013	2.264	2.516	2.596
Jan	1.954	2.210	2.033	2.330	2.519	2.601
Feb	1.881	2.023	2.030	2.224	2.323	2.498
Mar	2.001	2.176	2.038	2.361	2.507	2.598
Apr	2.053	2.017	2.031	2.322	2.431	2.558
May	2.093	1.864	2.128	2.285	2.439	2.566
Jun	2.071	1.823	2.117	2.251	2.410	2.562
Jul	2.211	1.900	2.213	2.411	2.454	2.585
Loss*	*1.700*	*1.338*	*0.500*	*0.783*	*0.800*	*1.500*
Total	**25.260**	**26.243**	**24.747**	**27.878**	**29.891**	**32.018**

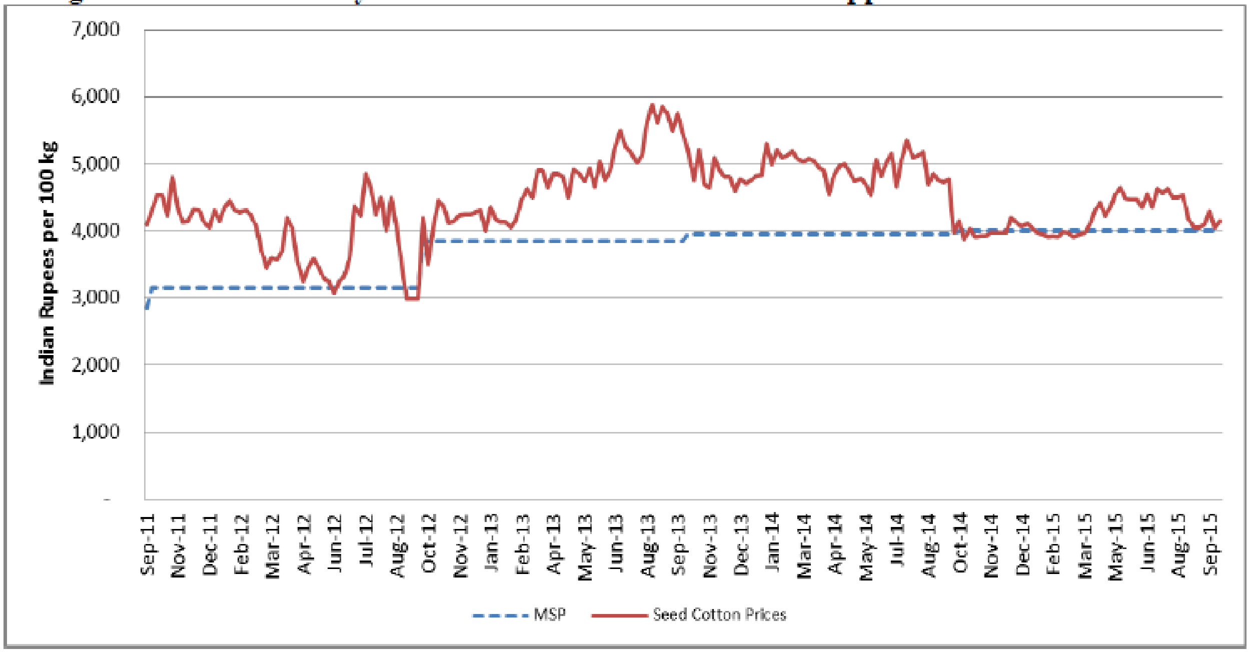
*Loss estimate from the Cotton Advisory Board
Source: Textile Commissioner

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



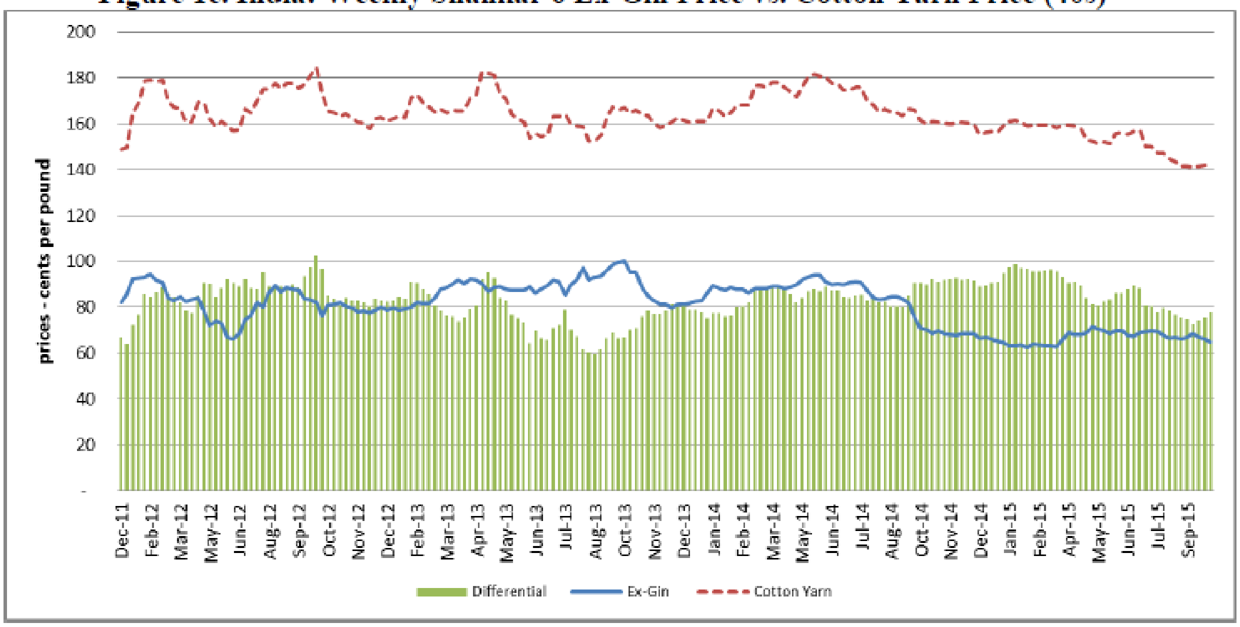
Source: Cotton Association of India
Cotlook A-Index

Figure 1b. India: Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6



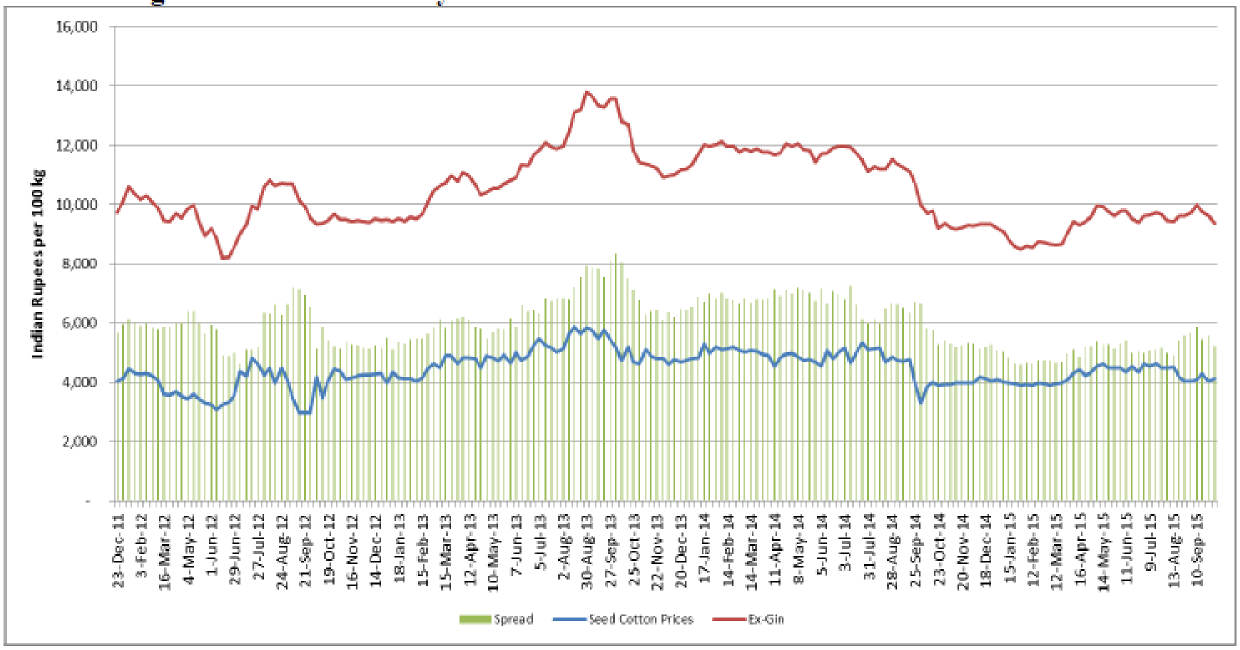
Source: Agriculture Marketing Information Network, Ministry of Agriculture

Figure 1c. India: Weekly Shankar 6 Ex-Gin Price vs. Cotton Yarn Price (40s)



Source: Cotton Association of India
Tecoya Trend

Figure 1d. India: Weekly Seed Cotton Prices vs. Shankar 6 Ex-Gin Prices



Source: Cotton Association of India

Agriculture Marketing Information Network, Ministry of Agriculture