

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### Cotton and Products Update February 2014

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**Report Highlights:**

India's 2013/14 cotton exports are expected to reach 8.0 million 480 lb bales, unchanged from the previous FAS Mumbai estimate and 500,000 bales higher than the USDA Washington estimate. Exports through the end of February had climbed to 6.1 million 480 lb bales, 80 percent of the USDA estimate. Market arrivals continue to lag last year's pace and have reached 21.8 million 170 kg bales. Farm prices remain firm, but spinning margins are strong pointing to continued strong consumption. The Government of India has applied two export promotion schemes to yarn and textile exports in an effort to support exports.

Cotton India	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	12,200	12,200	12,000	11,800	11,700	11,700
Beginning Stocks	11,799	11,799	10,919	10,819	11,069	10,819
Production	29,000	29,000	28,500	28,500	29,000	29,000
Imports	600	400	1,200	1,200	1,100	1,000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	41,399	41,199	40,619	40,519	41,169	40,819
Exports	11,080	11,080	7,750	7,700	7,500	8,000
Use	19,400	19,300	21,800	22,000	23,000	23,000
Loss	0	0	0	0	0	0
Total Dom. Cons.	19,400	19,300	21,800	22,000	23,000	23,000
Ending Stocks	10,919	10,819	11,069	10,819	10,669	9,819
Total Distribution	41,399	41,199	40,619	40,519	41,169	40,819
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

### Arrivals Slower Than a Year Ago

As of February 25, cotton arrivals had reached 21.8 million 170 kg bales (17 million 480 lb bales/3.7 mmt) as reported by the Cotton Corporation of India (CCI). Daily arrivals are averaging around 210,000 170 kg. The pace of arrivals is around 10 percent slower compared to last year. Arrivals are particularly slow in the northern states of Punjab, Haryana, and Rajasthan where the pace of cotton deliveries to local markets is 30 percent behind a year ago. CCI is in the process of updating its historical arrival data to reflect the CAB's larger production estimates which makes year-to-year comparisons more complicated than in the past, at least until the revisions are complete. Trade estimates of the crop in Northern India range from 4.8 million to 5.5 million 170 kg bales, compared to the FAS Mumbai estimate of 5.3 million 170 kg bales. Trade sources cite an increasing willingness on the part of farmers to hold cotton on farm in the hope of better pricing as the year progresses. Similarly, mills are maintaining smaller stocks of cotton, buying smaller volumes more frequently rather than fewer, larger purchases, in part because of the high rates of interest in India. Arrivals in Andhra Pradesh are also running significantly behind the year ago pace, but estimates of the all-India crop are largely unchanged over the past few months. For now at least, the estimate of 2013/14 production remains

unchanged, but the pace of arrivals merits close monitoring over the next few months.

### **Exports Going Strong Thus Far**

Exports have reached an estimated 7.8 million 170 kg bales (6.1 million 480 lb/1.32 mmt) through the end of February. The shipments constitute almost 75 percent of the FAS Mumbai export estimate of 10.2 million 170 kg bales (1.7 mmt/8 million 480 lb bales) and an even higher percentage of the USDA Washington export estimate of 7.5 million 480 lb bales. The pace of exports is expected to taper in coming months, how much will depend in large part on demand from China. Indian cotton is favorably priced relative to the Cotlook A index (see figure 1a). FAS Mumbai still expects exports to reach of 10.2 million 170 kg bales (1.7 mmt/ 8 million 480 lb bales). Exports from December to February, traditionally months of heavy shipments, were primarily to China, Bangladesh, Vietnam, and Pakistan.

### **Amendment in Export Registration Procedure**

On January 3, 2014 the Government of India issued a [notification](#) amending the procedure for the issue of registration certificates (RCs) for export of various commodities such as raw cotton and cotton yarn. The announcement simplifies the export registration process by eliminating the need for exporters to submit hard copies of the following documents when submitting their online export registration application: printout of the online application, letter of credit or Foreign Inward Remittance Certificate [FIRC] or proof of advance payment, and export contract.

### **Cotton Yarn Export Incentivisation**

On January 23, the Government of India amended a [notification](#) that makes cotton yarn eligible for benefits under Incremental Export Incentivisation Scheme (IEIS) up to March 31, 2014, the end of the India fiscal year. The scheme provides a credit of two percent of the FOB value of exports that can be used to import any goods free of duty up to the value of the credit. The credits can be sold and transferred to other importers. The scheme was previously withdrawn in September of 2013. It is not clear if the scheme will be continued when the new fiscal year begins on April 1.

### **Textile Items added to Market Linked Focus Product Scheme (MLFPS)**

On February 27, the Government of India amended a [notification](#) adding a number of textile items including cotton yarn, cotton fabric and bed linen to the MLFPS scheme. Here again, the scheme provides a credit of two percent of the FOB value of exports to certain high priority markets that can be used to import products duty free up to the value of the credit. The inclusion of certain textile products in the scheme will be effective March 1, 2014 through August 31, 2014. Further, all garments covered under Chapters 61 and 62 of the Harmonized Tariff Schedule that are exported to the United States and European Union are now eligible for program until further notice.

**Table 1a: Estimate of 2012/13 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
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
<b>Official Total Aug-Jul</b>	<b>9,909,955</b>	<b>1,684,692</b>	<b>7,737,730</b>

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**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Exports 1\	260,500	44,285	203,399
September Exports 1\	128,453	21,837	100,297
October Exports 1\	121,759	20,699	95,070
November Exports 1\	1,827,859	310,736	1,427,199
December Preliminary Exports 2\	2,384,318	405,334	1,861,685
January Estimated Exports 3\	1,900,000	323,000	1,483,527
February Estimated Exports 3\	1,200,000	204,000	936,965
<b>Preliminary Total Aug-Feb</b>	<b>7,822,889</b>	<b>1,329,891</b>	<b>6,108,142</b>

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**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
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
<b>Official Total Aug-Jul</b>	<b>1,520,129</b>	<b>258,422</b>	<b>1,186,924</b>

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**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
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 Preliminary Imports 2\	19,800	3,366	15,460
January Estimated Imports 3\	38,000	6,460	29,671
February Estimated Imports 3\	38,000	6,460	29,671
<b>Preliminary Total Aug-Feb</b>	<b>468,936</b>	<b>79,719</b>	<b>366,147</b>

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	2.336
Nov	1.847	2.110	1.834	2.109	2.234
Dec	1.949	2.257	2.013	2.264	2.419
Jan	1.954	2.210	2.033	2.330	
Feb	1.881	2.023	2.030	2.224	
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
<b>Total</b>	<b>25.260</b>	<b>26.243</b>	<b>24.747</b>	<b>28.095</b>	

Source: Textile Commissioner

\*Loss estimate from the Cotton Advisory Board

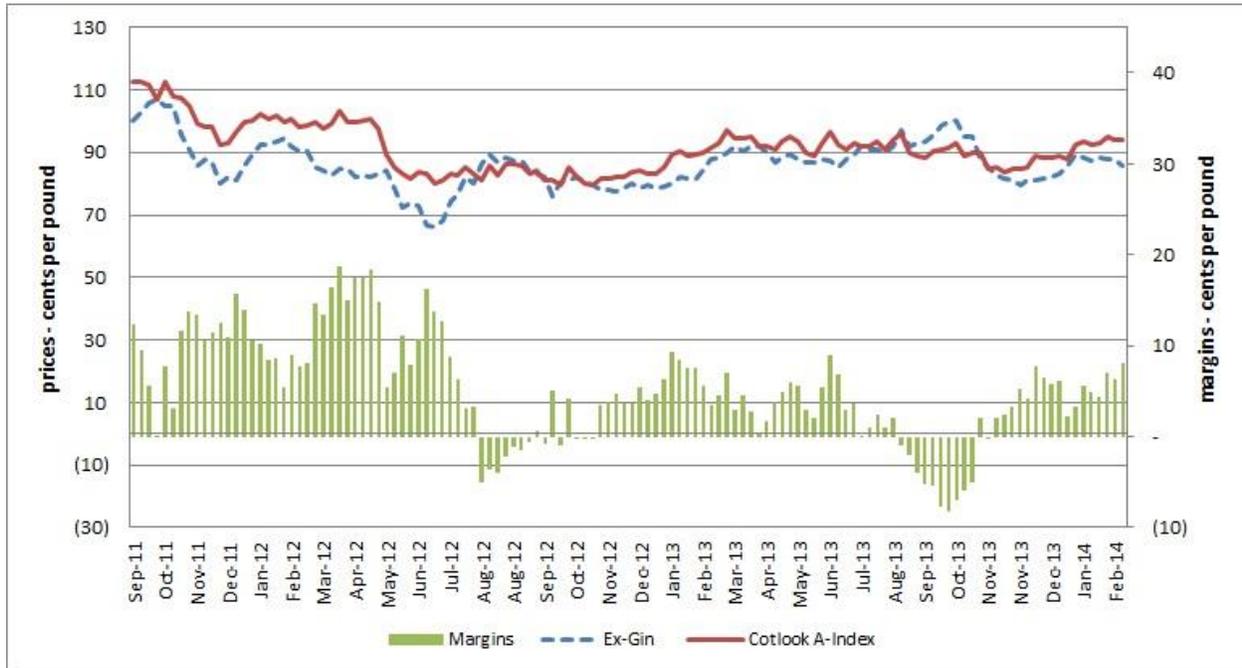
**Table 4: Cotton Yarn Export Registration Data**

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		
Mar -12 (P)	64.227	Mar-13 (P)	88.685		
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		
<b>Total</b>	<b>896.033</b>	<b>Total</b>	<b>1,241.270</b>		

(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell

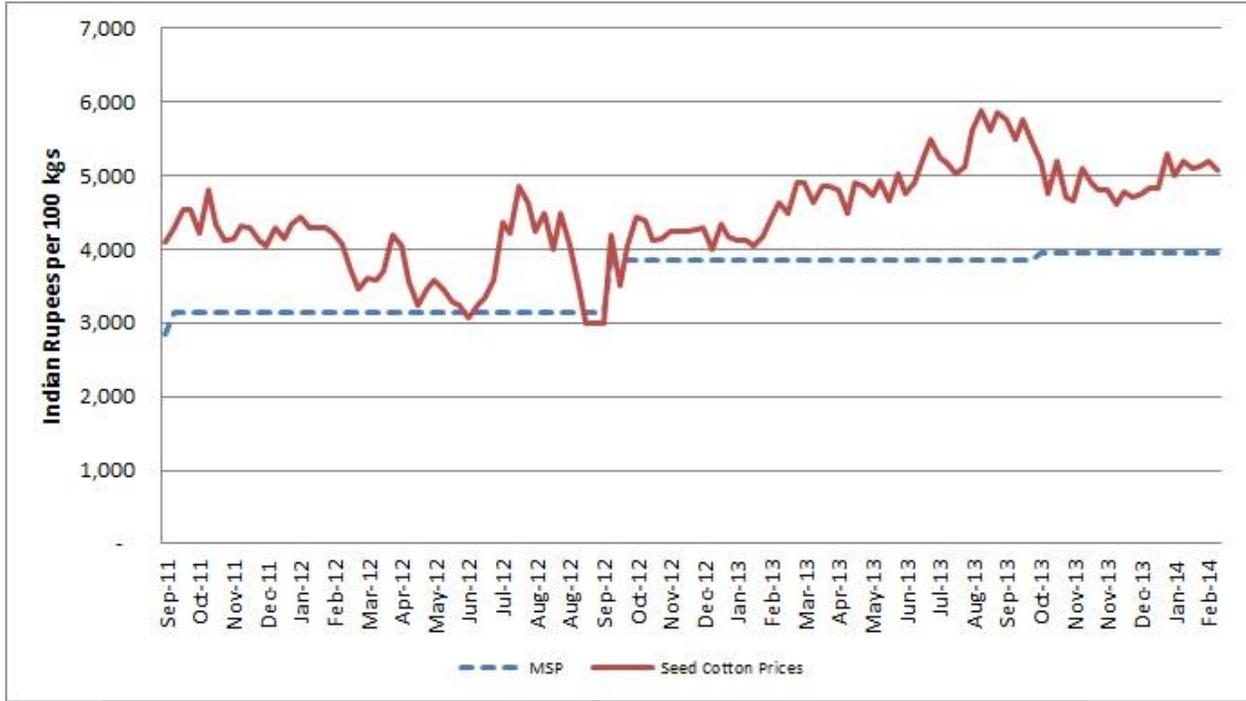
**Figure 1a: India Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index**



Source: Cotton Association of India  
Cotlook A-Index

**Figure 1b: India Weekly Seed Cotton Prices vs.**

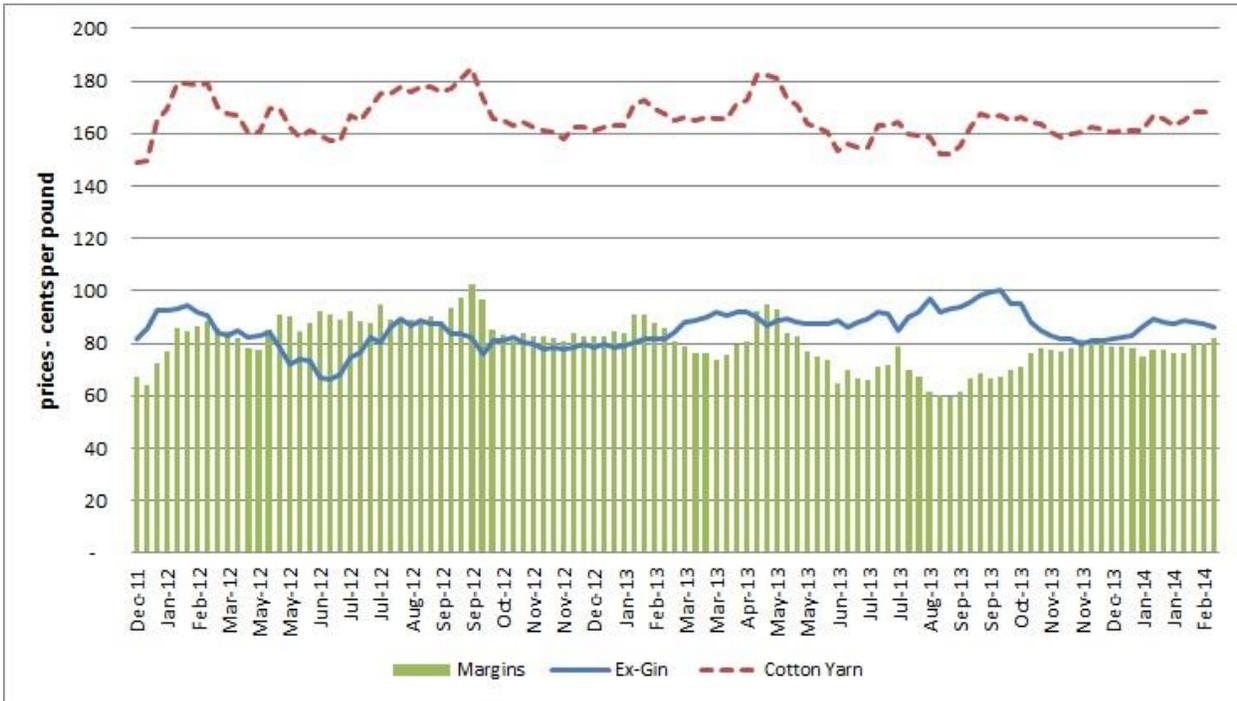
### Minimum Support Price – Shankar-6



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