

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

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### Cotton and Products Update October 2013

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**Report Highlights:**

The estimate of India's 2013/14 cotton production is unchanged at a record 29 million 480 lb bales (37.2 million 170 kg bales/6.3 mmt). Heavy rains and storms over the past few months across key growing areas have tempered optimism about the potential for a higher crop. Mill consumption remains strong and set a monthly record in August. Trade estimates are largely unchanged and cotton prices have started to drop, improving prospects for the current export estimate of 7.0 million 480 lb bales. The Government of India has announced an online reporting system to improve cotton data collection.

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	11,800	11,800	12,000	11,700
Beginning Stocks	11,174	10,964	9,444	9,084	8,144	6,374
Production	27,500	27,500	26,500	26,500	29,000	29,000
Imports	600	400	1,300	1,190	1,500	1,500
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	39,274	38,864	37,244	36,774	38,644	36,874
Exports	11,080	11,080	7,600	7,700	7,000	7,000
Use	19,750	19,700	22,500	22,700	23,000	23,000
Loss	-1,000	-1,000	-1,000	0	-750	0
Total Dom. Cons.	18,750	18,700	21,500	22,700	22,250	23,000
Ending Stocks	9,444	9,084	8,144	6,374	9,394	6,874
Total Distribution	39,274	38,864	37,244	36,774	38,644	36,874

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

## Area and Production

In the latest cotton update, [IN3108](#), FAS Mumbai reduced the 2013/14 production estimate to 28.6 million 480 lb bales due to heavy rains across western and central India. However, recent light rains and adequate sunshine across western and central India suggest that this reduction was likely premature. The net effect of September and October rains, storms, and favorable conditions discussed below is no change in India's 2013/14 cotton production estimate of 29 million 480 lb bales (37.2 million 170 kg bales/6.3 mmt). The state-level discussion that follows is based on changes from the state-level estimates reported in [IN3108](#).

India's cotton crop was threatened again by heavy rains during October when the major-growing state of Andhra Pradesh was hit by cyclone Phailin. The cyclone brought sporadic rains in northern and coastal Andhra Pradesh and the minor cotton-producing state of Orissa. Winds from the cyclone appear to have skirted major cotton growing areas. However, heavy rains a week or so following the cyclone

fell just as the crop was ready for picking in parts of north and coastal Andhra Pradesh. Government of India rainfall data indicates that rainfall amounts in parts of Andhra Pradesh were more than twice the normal level ranging from 10 to 15 inches during October. Production in Andhra Pradesh is estimated 200,000 170 kg bales (156,000 480 lb bales/34,000 mt) lower at 6.3 million 170 kg bales (4.9 million 480 lb bales /1.0 mmt). Crop damage assessment in the state and trade continues and may confirm additional losses. Cyclones are common in the Bay of Bengal during this time of year and often have some effect on cotton yields in Andhra Pradesh.

In Gujarat, heavy rains in September have been followed by light rains and clear weather especially in the Saurashtra and Kutch region providing good maturation conditions and the possibility of stronger second and third pickings. Production in Gujarat is forecast 500,000 170 kg bales (390,000 480 lb bales /85,000 mt) higher at 11.0 million 170 kg bales (8.5 million 480 lb bales /1.87 mmt). In the southern states of Karnataka and Tamil Nadu, slight increases in yield have also been made due to adequate rainfall and moisture availability.

The Cotton Advisory Board (CAB), which is comprised of public and private sector experts, is expected to meet on November 1, 2013; this will be the first meeting of the CAB in several months and will likely result in the first official estimate of the 2013/14 harvest. Based on the monthly cotton stock position (see Table 6), it appears that ending stock estimates were negative as of September 30, the end of India's local marketing year. Consequently, it is possible that the CAB will either increase its estimate of 2012/13 production or make other adjustments to the official supply and demand estimates to increase supply. In 2012, the CAB made an adjustment to stock levels to augment supply.

On October 18, the Ministry of Agriculture indicated that area planted to cotton had reached 11.5 million hectares compared to 11.7 million hectares a year ago. With some planting still expected in southern India, planted area is estimated at 11.7 million hectares. The "normal" sowing area for this time of year is 11.55 million hectares.

### **Arrivals**

On October 20, 2013, cotton arrivals for MY 2013/14 had reached 549,000 170 kg bales (429,000 480 lb bales/93,000 mt) compared to 547,000 170 kg bales (427,000 480 lb bales / 93,000 mt) a year ago. The pace of daily cotton arrivals is relatively light at 35,000 170 kg bales per day. The onset of arrivals in 2012/13 was delayed due to a delay in planting. This year, late season rains have slowed crop maturation and hampered the pace of early arrivals.

As of October 30, the Cotton Corporation of India (CCI) had sold 2.2 million 170 kg bales of the 2.3 million 170 kg bales it procured in 2012/13 and is expected to continue to liquidate the remaining 100,000 170 kg bales. Cotton prices have been relatively high and CCI has been able to recoup the cost of its 2012/13 procurement operations.

### **Consumption**

Consumption for MY 2013/14 is estimated at 29.5 million 170 kg bales (23 million 480 lb bales/ 5.0 mmt). The consumption figure for August reached a monthly record of 2.4 million 170 kg bales and

spinning margins have strengthened of late as cotton prices decline, see Figure 1a. Many mills are covered through mid-November, but will be seeking new crop supplies in earnest shortly thereafter. Spinners continue to produce yarn to meet strong Chinese demand and growing domestic demand. The rupee was exceptionally weak relative to the dollar over the past few months, but has regained 8.5 percent of its value since early September. The effects of a stronger rupee could be offset in India by higher spinning margins, giving spinners more flexibility in their export pricing, thereby supporting continued strong yarn exports over at least the next few months.

Consumption for MY 2012/13 according to the Textile Commissioner was 29 million 170 kg bales (22.7 million 480 lb bales /4.9 mmt) based on preliminary final estimates. Consumption has been averaging over two million 170 kg bales per month since December 2011.

## **Trade**

The MY 2013/14 export estimate is unchanged at 9.0 million 170 kg bales (7 million 480 lb bales /1.5 mmt). Indian prices have been high relative to international prices over the past few months, but have begun to drop as the pace of arrivals increases. Demand from China has also been weak. As reported previously, much will depend on China's cotton policies. However, if India resumes its position as one of the more competitively-priced cotton origins, we expect that, to the extent that there is demand, the pace of exports will accelerate. For MY 2012/13, India's cotton exports were 9.9 million 170 kg bales (7.7 million 480 lb bales/1.6 mmt) based on official data.

Cotton imports were 1.2 million 480 lb bales in 2012/13 based on final official import data. Indian mills continue to source cotton from primarily African origins to augment domestic supplies towards the end of the local marketing year.

## **Trade Policy**

India's Textile Ministry had proposed the imposition of a 10 percent export duty on cotton exports determined to be surplus based on the estimated supply and demand of cotton during 2013/14. Recently, a group of ministries involved in the oversight and regulation of the cotton and textile industries determined that exports should be allowed without restriction (known as Open General License or OGL in India) during the current marketing year. As it has in the past, the Government of India is expected to closely monitor the pace of cotton exports to ensure that supplies are adequate to meet the needs of both the export and domestic markets.

## **Domestic Policy**

2012/13 is likely to be the second consecutive year for which the CAB will likely have to adjust its estimates to enhance supply due to low or negative estimated ending stocks. The Government of India is working to improve cotton data collection and has issued several notices over the past year concerning mandatory reporting requirements. The most recent announcement aimed at enhancing data collection relates to the establishment of a mandatory online reporting system for ginners and others in the cotton trade. It is not clear if or when this data will be available for public use, but FAS Mumbai will be following this process over the next few months. For more information follow this link [Press](#)

[note.](#)

**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\	269,271	45,776	210,248
<b>Official Total Aug-Jul</b>	<b>9,909,012</b>	<b>1,684,532</b>	<b>7,736,996</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 Preliminary Exports 2\	277,565	47,186	216,724
September Estimated Exports 3\	130,000	22,100	101,504
October Estimated Exports 3\	85,000	14,450	66,368
<b>Preliminary Total Aug-Oct</b>	<b>492,565</b>	<b>83,736</b>	<b>384,596</b>

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 Preliminary Imports 2\	108,553	18,454	84,759
September Estimated Imports 3\	104,000	17,680	81,204
October Estimated Imports 3\	97,000	16,490	75,738
<b>Preliminary Total Aug-Oct</b>	<b>309,553</b>	<b>52,624</b>	<b>241,701</b>

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	2.404
Sep	1.829	2.143	2.170	2.146	
Oct	1.812	2.209	1.776	2.185	
Nov	1.847	2.110	1.834	2.109	
Dec	1.949	2.257	2.013	2.264	
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	2.324	
May	2.093	1.864	2.128	2.284	
Jun	2.071	1.823	2.117	2.275	
Jul	2.211	1.900	2.213	2.420	
Loss*	1.700	1.338	1.000	2.000	
<b>Total</b>	<b>25.260</b>	<b>26.243</b>	<b>25.247</b>	<b>29.129</b>	

Source: Textile Commissioner

\*Loss estimate from the Cotton Advisory Board

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

Month	Quantity (Million kg)	Month	Quantity (Million kg)	Month	Quantity (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		
Nov-11	76.362	Nov-12 (P)	100.769		
Dec-11	83.005	Dec-12 (P)	100.778		
Jan-12	79.148	Jan-13 (P)	117.143		
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>		
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(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell

### Estimated Monthly Stock Position

Tables 5 and 6 provide an estimate of India's 2012/13 monthly cotton stock position on the respective USDA and Indian marketing years using USDA's (or a close approximation) of USDA's beginning stock estimate and the Cotton Advisory Board's beginning stock estimate.

**Table 5: Monthly Stock Position  
August/July Marketing Year -- 170 kg bales**

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Aug-12	12,095,000	-	62,935	12,157,935	2,207,000	56,894	166,667	9,727,374
Sep-12	9,727,374	-	203,265	9,930,639	2,146,000	104,912	166,667	7,513,061
Oct-12	7,513,061	869,000	313,253	8,695,314	2,185,000	160,506	166,667	6,183,141
Nov-12	6,183,141	3,100,000	213,159	9,496,300	2,109,000	767,165	166,667	6,453,468
Dec-12	6,453,468	4,828,000	104,247	11,385,715	2,264,000	1,836,812	166,667	7,118,237
Jan-13	7,118,237	8,199,000	61,194	15,378,431	2,330,000	2,375,871	166,667	10,505,893
Feb-13	10,505,893	3,595,000	45,541	14,146,434	2,224,000	2,163,959	166,667	9,591,808
Mar-13	9,591,808	4,872,000	55,976	14,519,784	2,361,000	1,202,359	166,667	10,789,759
Apr-13	10,789,759	3,536,000	74,159	14,399,918	2,324,000	340,841	166,667	11,568,410
May-13	11,568,410	2,114,000	79,900	13,762,310	2,284,000	276,553	166,667	11,035,090
Jun-13	11,035,090	1,439,000	142,641	12,616,731	2,275,000	353,871	166,667	9,821,194
Jul-13	9,821,194	1,048,000	163,859	11,033,053	2,420,000	269,271	166,667	8,177,115
<b>TOTAL</b>		<b>33,600,000</b>	<b>1,520,129</b>	<b>147,522,564</b>	<b>27,129,000</b>	<b>9,909,014</b>	<b>2,000,000</b>	

Note: The arrivals for Aug and Sep 2013 are reflected in the 2012/13 Aug/Jul marketing year FAS Mumbai estimates highlighted in red italics.

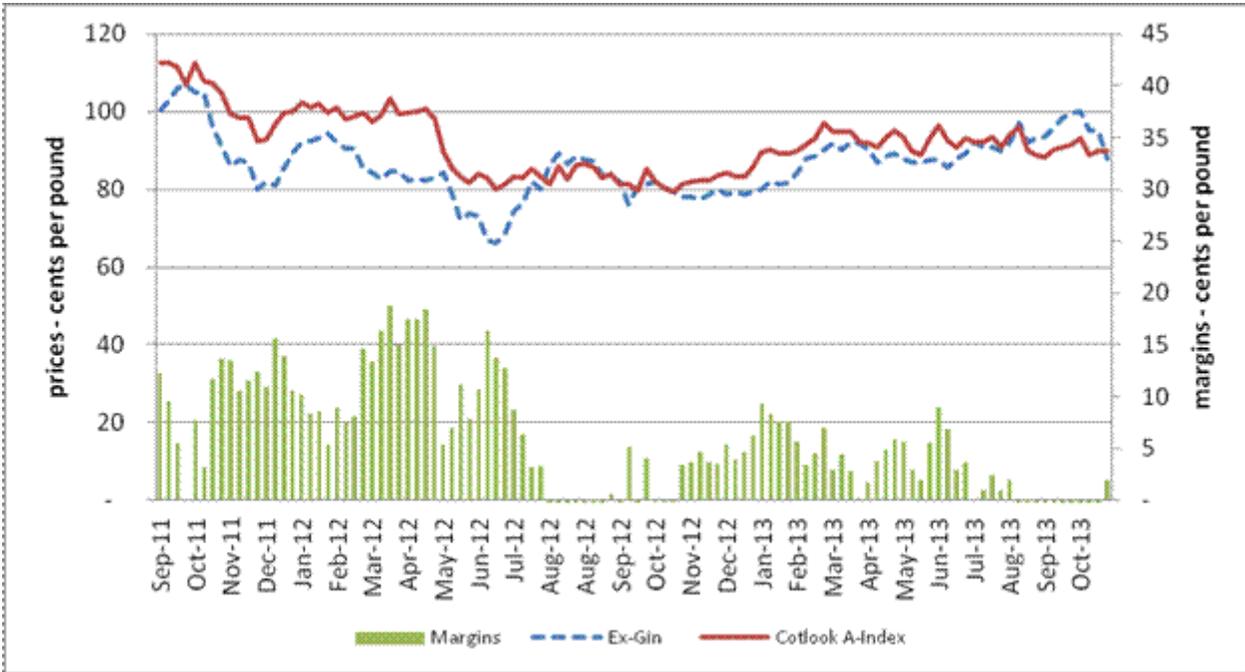
**Table 6: Monthly Stock Position Using Cotton Advisory Board Stock Estimates  
October/September Marketing Year/170 kg bales**

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Oct-12	4,000,000	869,000	313,253	5,182,253	2,185,000	160,506	166,667	2,670,080

Nov-12	2,670,080	3,100,000	213,159	5,983,239	2,109,000	767,165	166,667	2,940,408
Dec-12	2,940,408	4,828,000	104,247	7,872,655	2,264,000	1,836,812	166,667	3,605,176
Jan-13	3,605,176	8,199,000	61,194	11,865,370	2,330,000	2,375,871	166,667	6,992,832
Feb-13	6,992,832	3,595,000	45,541	10,633,373	2,224,000	2,163,959	166,667	6,078,748
Mar-13	6,078,748	4,872,000	55,976	11,006,724	2,361,000	1,202,359	166,667	7,276,698
Apr-13	7,276,698	3,536,000	74,159	10,886,857	2,324,000	340,841	166,667	8,055,349
May-13	8,055,349	2,114,000	79,900	10,249,249	2,284,000	276,553	166,667	7,522,030
Jun-13	7,522,030	1,439,000	142,641	9,103,671	2,275,000	353,871	166,667	6,308,133
Jul-13	6,308,133	1,048,000	163,859	7,519,992	2,420,000	269,271	166,667	4,664,054
Aug-13	4,664,054	<i>153,000</i>	<i>108,553</i>	4,925,607	2,404,000	<i>277,565</i>	166,667	2,077,376
Sep-13	2,077,376	<i>153,000</i>	<i>104,000</i>	2,334,376	<i>2,288,000</i>	<i>130,000</i>	166,667	(250,291)
<b>TOTAL</b>		<b>33,906,000</b>	<b>1,466,482</b>	<b>97,563,366</b>	<b>27,468,000</b>	<b>10,154,773</b>	<b>2,000,000</b>	

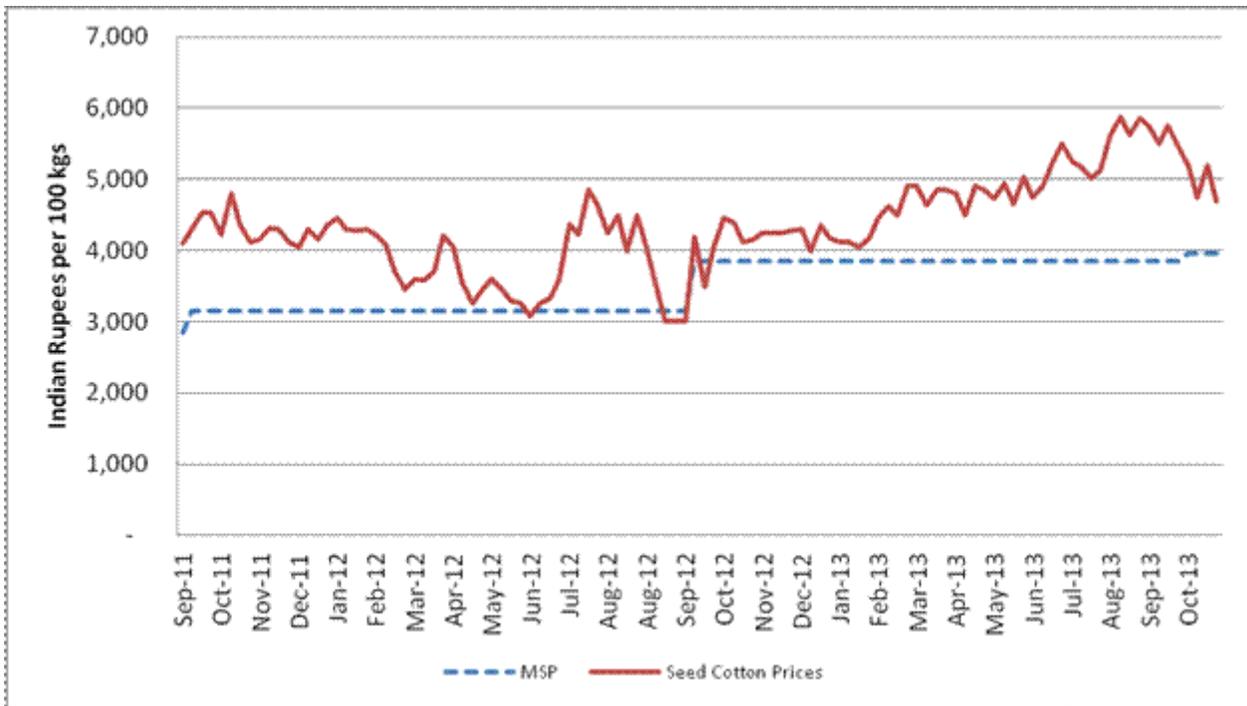
FAS Mumbai estimates highlighted in red italics.

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



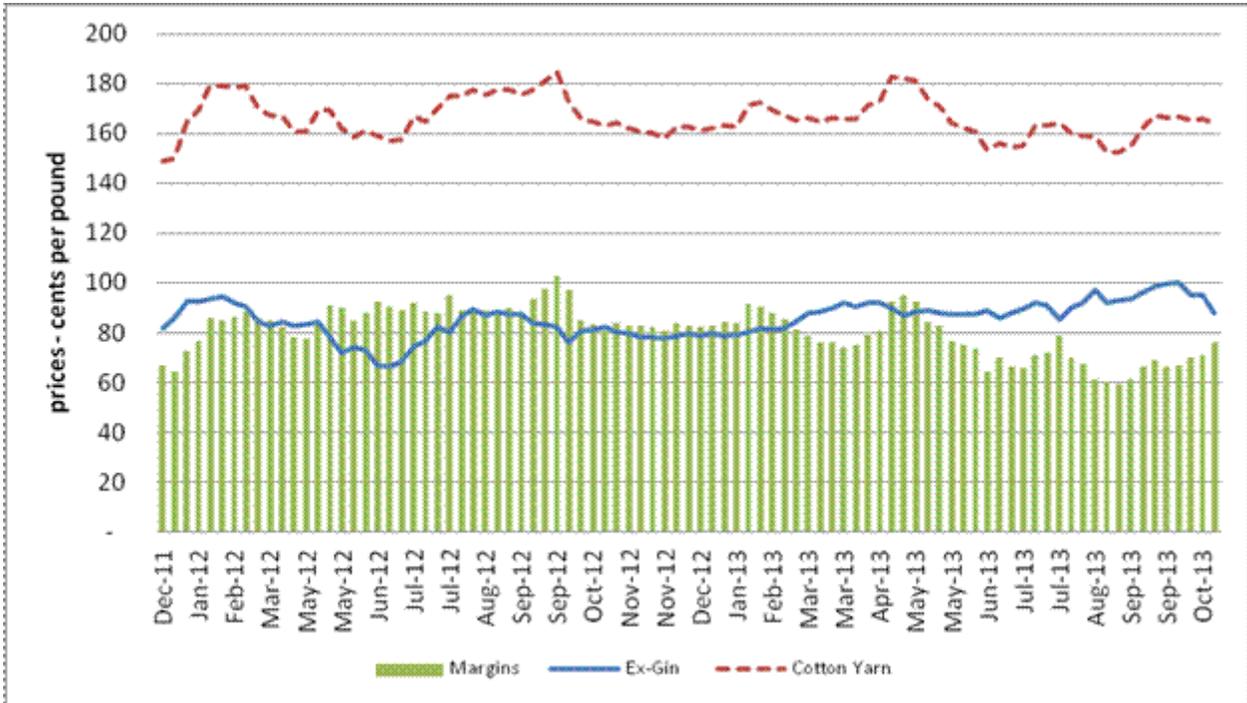
Source: Cotton Association of India  
Cotlook A-Index

**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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