

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Cotton and Products Update

Report Categories:

Cotton and Products

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Report Highlights:

The MY 2015/16 production estimate is 28.5 million 480 lb. bales as insect infestation in northern India raises yield concerns. Planted area reached 11.76 million hectares. The Cotton Corporation (CCI) of India began new crop MSP procurement in Telangana.

General Information:

Cotton	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		May 2016	
India	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

MY 2015/16 Planted Area Finalized

Planted area reported as of October 21, 2015 reached 11.76 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 Due to Pest Pressure

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). The forecast yield is 526 kg per hectare. In the northern state of Punjab, the white fly affected area is estimated at 112,000 hectares as per the Ministry of Agriculture and Farmers Welfare. Almost 2,800 hectares of standing crop has been ploughed by farmers due to heavy white fly incidence. White fly infestations have been reported in the state of Haryana, too.

Cotton Advisory Board releases MY 2015/16 Estimates

On November 3, 2015, the Cotton Advisory Board estimated MY 2015/16 production at 28.5 million 480 lb. bales (36.5 million 170 kg bales/6.2 mmt). Exports have been estimated at 5.3 million 480 lb.

bales (6.8 million 170 kg bales/1.15 mmt) while imports are expected to be 937,000 480 lb. bales (1.2 million 170 kg bales/204,000 mt). Domestic consumption is estimated at 25.2 million 480 lb. bales (32.3 million 170 kg bales/5.5 mmt) compared to 24.8 million 480 lb. bales (31.76 million 170 kg bales/5.4 mmt) in MY 2014/15.

Consumption

The FAS Mumbai consumption forecast for MY 2015/16 is 25.3 million 480 lb. bales.

While Indian ex-gin prices are lower than the Cotlook A Index making Indian cotton very competitive, mill demand remains sluggish. Trade sources indicate mill coverage is between 30 and 45 days. Low ex-gin prices coupled with a weakening Indian currency is sustaining cotton yarn exports with improved yarn margins in the past month.

Trade

The FAS Mumbai MY 2015/16 import forecast is 800,000 480 lb. bales (1 million 170 kg bales/174,000 mt). Imports of new crop from Pakistan and Australia, followed by Pima imports from the United States constituted the October imports. Trade sources indicate that mills will continue to import for immediate requirements until new arrivals pick up.

The FAS Mumbai MY 2015/16 export forecast 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 80 percent of cotton exports were to Bangladesh, China and Pakistan. Vietnam and Indonesia were the other markets with nine percent and three percent export market share respectively. Exports are expected to pick up in the coming months especially to neighboring countries as the pace of arrivals picks up.

Policy

Trans Pacific Partnership (TPP) a Concern for Indian Textile Sector

A number of trade associations have expressed concern with the new TPP agreement. Traders indicated they may lose some international export market share of textiles and apparels to Vietnam which may become a preferred sourcing location.

Arrivals Starting and Minimum Support Price (MSP) Operations Underway

As of November 3, 2015, CCI is reporting MY 2015/16 arrivals at 1.22 million 480 lb. bales (1.56 million 170 kg bales/ 265,625 mt) across India.

CCI continues selling MY 2014/15 crop via its e-auction platform. MSP operations in MY 2015/16 are underway in the southern state of Telangana with close to 2,700 480 lb. bales purchased so far.

Textile Exports Benefit Extended

On October 29, 2015, the Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry issued a notification ([Public Notice No. 44/2015-2020](#)) extending the two percent export benefit (2 percent of FOB value) effective immediately under the Merchandise Export from India Scheme (MEIS). The export incentive is available on a number of textile items under Harmonized Tariff System chapters 50 to 63 to countries classified in groups A, B & C under the [MEIS Schedule](#). By expanding to additional country groups, textile and apparel exports are expected to grow.

Previous amendments to the notification can be referred below -

[Public Notice No. 27/2015-2020](#) dated July 14, 2015

[Public Notice No.2/2015-2020](#) dated April 1, 2015

[Press Release - Amendments in MEIS to boost textile and apparel exports](#) dated November 3, 2015

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 Exports 1\	277,253	47,133	216,480
September Estimate Exports 2\	350,000	59,500	273,281
October Estimate Exports 2\	465,000	79,050	363,074
Preliminary Total Aug-Oct	1,092,253	185,683	852,835

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

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 Imports 1\	177,141	30,114	138,312
September Estimated Imports 2\	175,000	29,750	136,641
October Estimated Imports 2\	92,000	15,640	71,834
Preliminary Total Aug-Oct	444,141	75,504	346,787

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

2\ FAS Mumbai estimate

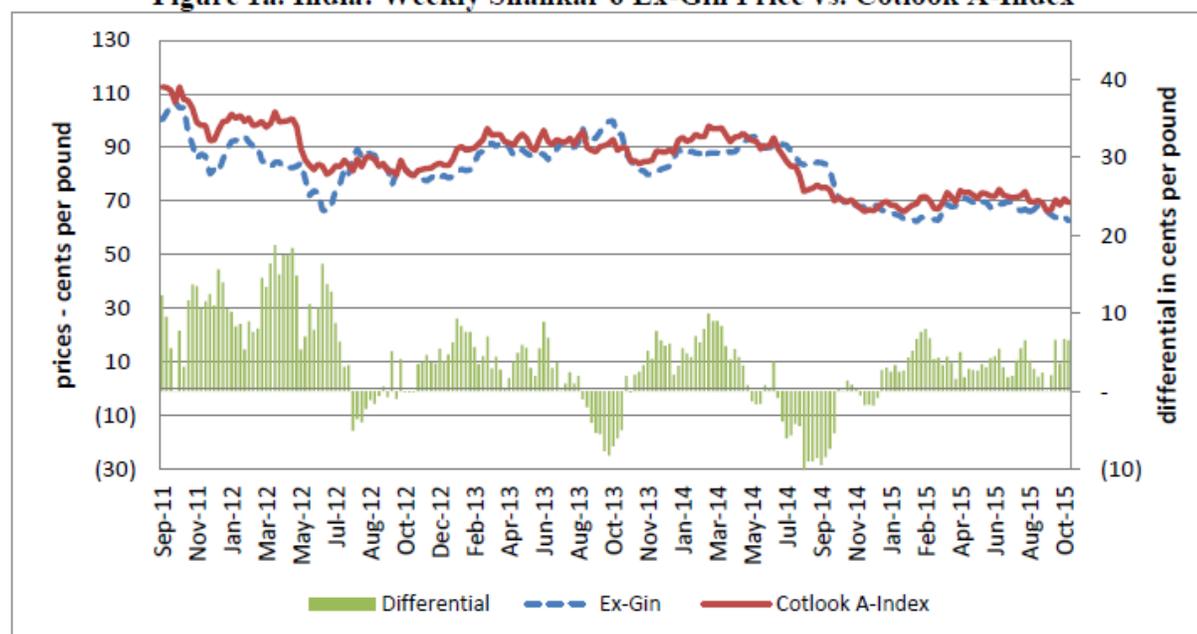
Table 3. India: Monthly Cotton Consumption by the Textile Sector (Million 170 kg bales)

Month	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Aug	2.173	1.864	2.207	2.423	2.446	2.500
Sep	2.143	2.170	2.146	2.370	2.581	
Oct	2.209	1.776	2.185	2.403	2.416	
Nov	2.110	1.834	2.109	2.296	2.504	
Dec	2.257	2.013	2.264	2.516	2.589	
Jan	2.210	2.033	2.330	2.519	2.577	
Feb	2.023	2.030	2.224	2.323	2.458	
Mar	2.176	2.038	2.361	2.507	2.618	
Apr	2.017	2.031	2.322	2.431	2.557	
May	1.864	2.128	2.285	2.439	2.564	
Jun	1.823	2.117	2.251	2.410	2.561	
Jul	1.900	2.213	2.411	2.454	2.569	
Loss*	1.338	0.500	0.783	0.800	1.500	
Total	26.243	24.747	27.878	29.891	31.940	

*Loss estimate from the Cotton Advisory Board

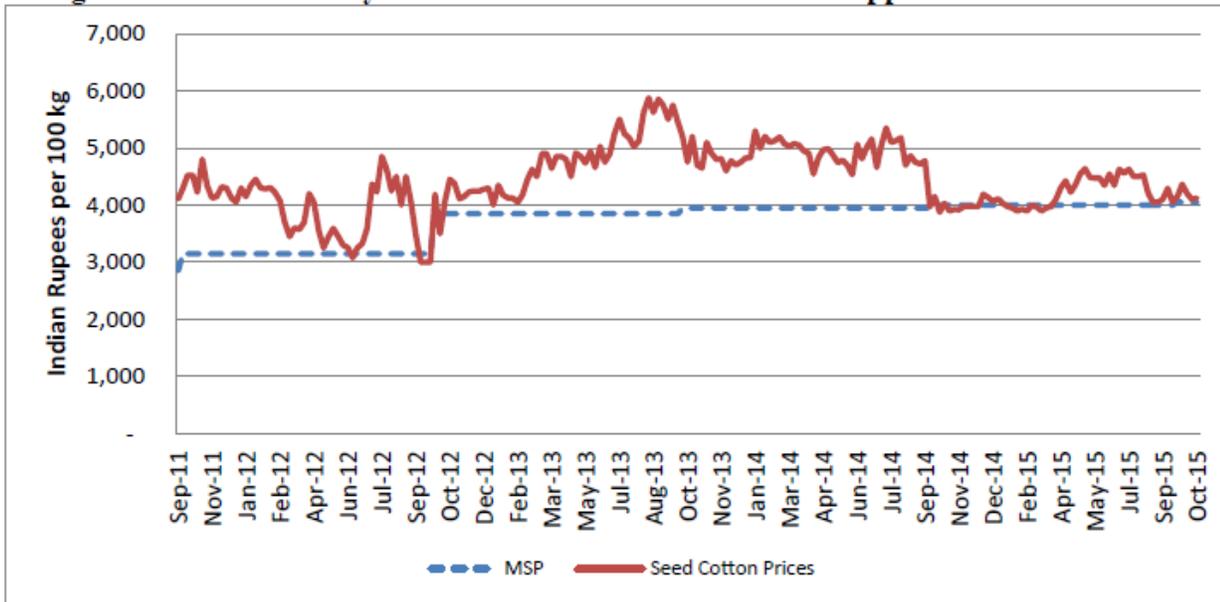
Source: Textile Commissioner

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



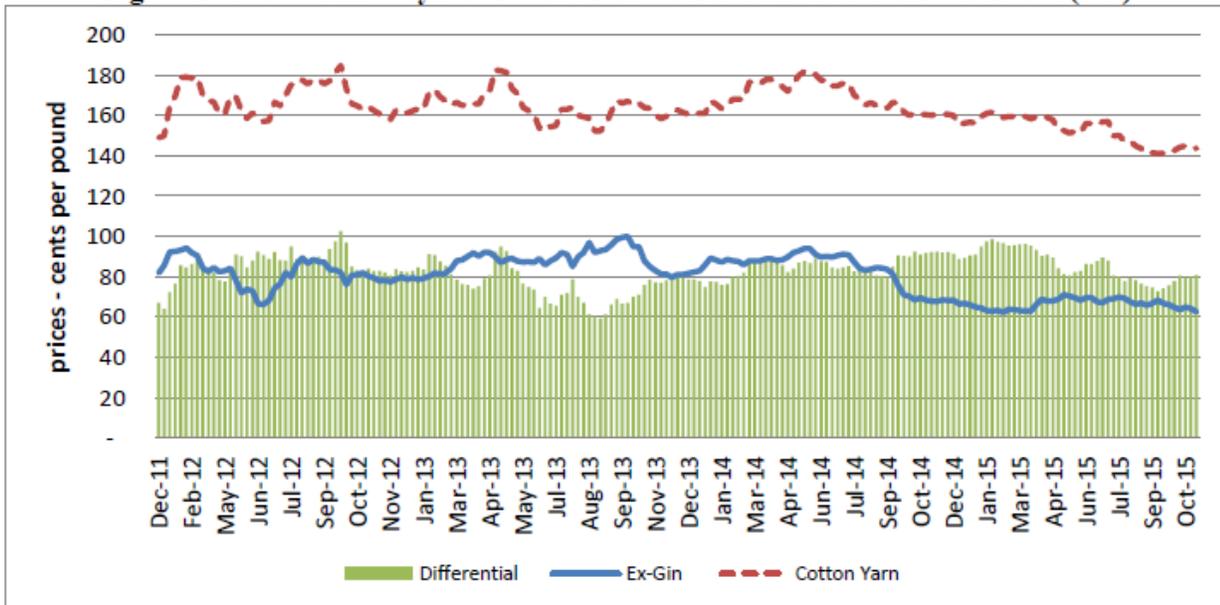
Source: Cotton Association of India
Cotlook A-Index

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



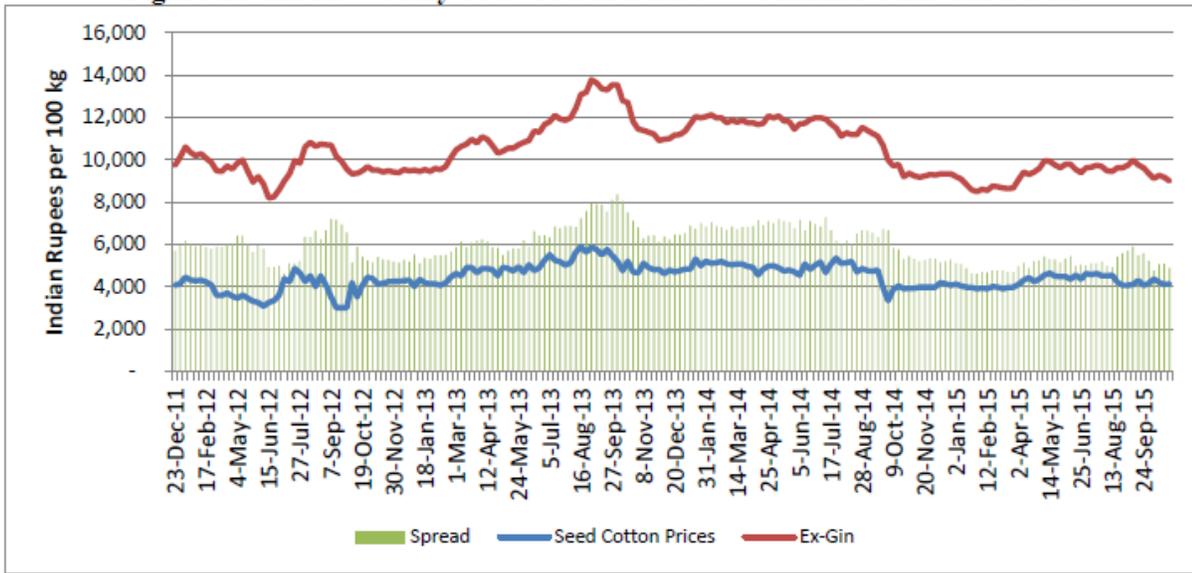
Source: Agriculture Marketing Information Network, Ministry of Agriculture

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