

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Cotton and Products Update

The MY 2015/16 production estimate is 28.5 million 480 lb. bales while planted area is finalized at 11.8 million hectares.

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Report Highlights:

The MY 2015/16 production estimate is 28.5 million 480 lb. bales while planted area is finalized at 11.8 million hectares. The Cotton Corporation (CCI) of India has intensified new crop MSP procurement across India. Government of India approves another export incentive scheme to boost sluggish export sales.

Post:
New Delhi

Executive Summary:

Cotton Market Begin Year	2013/2014		2014/2015		2015/2016	
	Aug 2013		Aug 2014		May 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Area Planted	-	-	-	-	-	-
Area Harvested	11,700	11,960	12,700	12,900	11,800	11,800
Beginning Stocks	11,795	11,795	11,359	10,901	13,386	12,759
Production	31,000	31,000	29,500	29,600	28,500	28,500
Imports	675	675	1,226	1,226	1,000	800
MY Imports from U.S.	-	-	-	-	-	-
Total Supply	43,470	43,470	42,085	41,727	42,886	42,059
Exports	9,261	9,261	4,199	4,199	4,400	4,700
Use	23,350	23,308	24,500	24,769	25,500	25,300
Loss	(500)	-	-	-	-	-
Total Dom. Cons.	22,850	23,308	24,500	24,769	25,500	25,300
Ending Stocks	11,359	10,901	13,386	12,759	12,986	12,059
Total Distribution	43,470	43,470	42,085	41,727	42,886	42,059

(1000 HA) ,1000 480 lb. Bales

MY 2015/16 Planted Area and Production

Planted area reported for MY 2015/16 Kharif season remains at 11.8 million hectares. The FAS Mumbai planted area forecast for MY 2015 is 11.8 million hectares and in line with the USDA forecast. FAS Mumbai's production forecast is also in line with the USDA forecast of 28.5 million 480 lb. bales (36.5 million 170 kg bales/6.2 mmt).

Arrivals Starting and Minimum Support Price (MSP) Operations Underway

As of November 26, 2015, CCI is reporting MY 2015/16 arrivals at 3.22 million 480 lb. bales (4.13 million 170 kg bales/ 702,678 mt) across India. Daily arrivals are estimated at 122,118 480 lb. bales (156,400 170 kg bales/26,588 mt).

CCI continues selling MY 2014/15 crop via its e-auction platform. MSP operations in MY 2015/16 are underway across India with close to 162,300 480 lb. bales (207,860 170 kg bales/35,337 mt) purchased

as on November 26, 2015. The southern states of Telangana and Andhra Pradesh followed by central cotton growing state of Maharashtra constitute the highest number of CCI purchase centers where buying has taken place. Maharashtra State Cooperative Cotton Growers Marketing Federation (MAHACOT) has opened 78 centers and procured around 18,200 480 lb. bales (23,000 170 kg bales/3,964 mt). CCI has also opened 47 centers in Maharashtra and procured around 19,520 480 lb. bales (25,000 170 kg bales/4,250 mt). MSP procurement price for Long Staple Shankar 6 variety is Rs. 4,050 per 100 kg (28 cents per pound based on exchange rate USD 1.00 is Rs.66.58). For details refer [MSP order](#).

Consumption

The FAS Mumbai consumption forecast for MY 2015/16 is 25.3 million 480 lb. bales. Post estimate is 200,000 480 lb. bales lower than USDA forecast. Average monthly mill consumption in MY 2015/16 so far is around 1.97 million 480 lb. bales. Indian ex-gin prices are lower than the Cotlook A Index (figure 1a) making Indian cotton very competitive, but mill demand remains sluggish. Lower ex-gin prices (figure 1d) have put pressure on the margins for cotton ginners who are unable to recover the cost of production. Cotton yarn prices also came down during November as exports remained slow.

The Textile Commissioner's office has revised the consumption estimates. The MY 2014/15 data has been revised to reflect the same. The Cotton Advisory Board (CAB) also revised the non-mill consumption estimates for MY 2013/14 and MY 2014/15 in its meeting on November 3, and the same is reflected in the current consumption estimates.

Policy - Interest Equalization Scheme (earlier Interest Subvention Scheme) approved

On November 18, 2015, the Government of India approved the Interest Equalization Scheme (earlier called Interest Subvention Scheme) for five years effective April 1, 2015. Under the scheme, eligible exporters can avail a three percent export credit subvention (subsidy on interest rate charged on export credit). Exports from small and medium enterprises of 416 specific tariff lines can avail the benefit. The scheme is not available to merchant exporters. Some of the sectors include processed agriculture/food items, handicrafts, handmade carpet (including silk), handloom products, coir and coir manufactures, jute raw and yarn and other jute manufactures, readymade garments and made ups covered under Chapter 61-63, fabrics of all types. For more details refer to the [press release](#).

Trade

The FAS Mumbai MY 2015/16 import forecast is 800,000 480 lb. bales (1 million 170 kg bales/174,000 mt). Imports halved compared to previous month limiting to the new crop from Australia, followed by Pima imports from the United States. Trade sources indicate that mills will limit imports as newer crop 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 an increase from the USDA official forecast due to expected sluggish demand. Exports surged in November as new crop arrivals (long staple Shankar-6 and extra-long staple MCU5 varieties) were shipped to Pakistan, China, and Bangladesh. More than 50 percent of cotton exports were to Pakistan. Exports are expected to remain strong in the coming months especially to neighboring countries.

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 Preliminary Exports 2\	367,506	62,476	286,950
October Estimated Exports 3\	465,000	79,050	363,074
November Estimated Exports 3\	1,190,000	202,300	929,157
Preliminary Total Aug-Nov	2,299,759	390,959	1,795,661

1\ Official 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. 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 Preliminary Imports 2\	192,594	32,741	150,378
October Estimated Imports 3\	92,000	15,640	71,834
November Estimated Imports 3\	52,000	8,840	40,602
Preliminary Total Aug-Nov	513,735	87,335	401,126

1\ Official 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

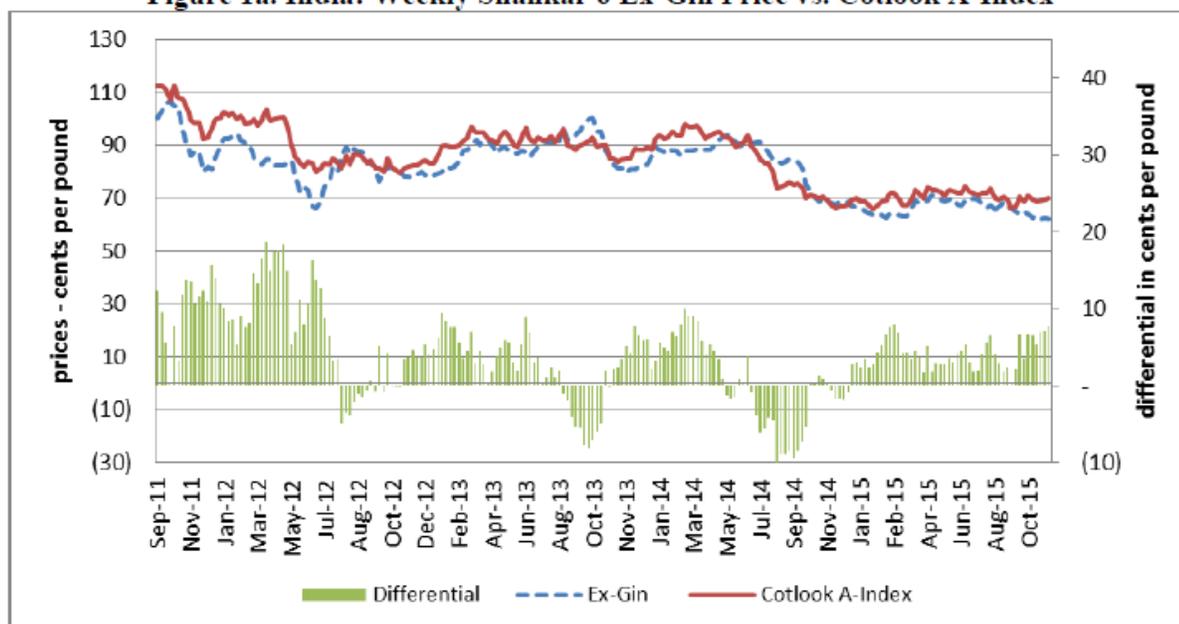
Table 3. India: Monthly Cotton Consumption by the Textile Sector (Million 170 kg bales)

Month	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Aug	2.173	1.864	2.207	2.423	2.446	2.577
Sep	2.143	2.170	2.146	2.370	2.581	2.492
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	2.562	
Jun	1.823	2.117	2.251	2.410	2.562	
Jul	1.900	2.213	2.411	2.454	2.569	
Loss*	1.338	0.500	0.783	0.632	1.284	1.100
Total	26.243	24.747	27.878	29.723	31.723	

*Loss estimate from the Cotton Advisory Board

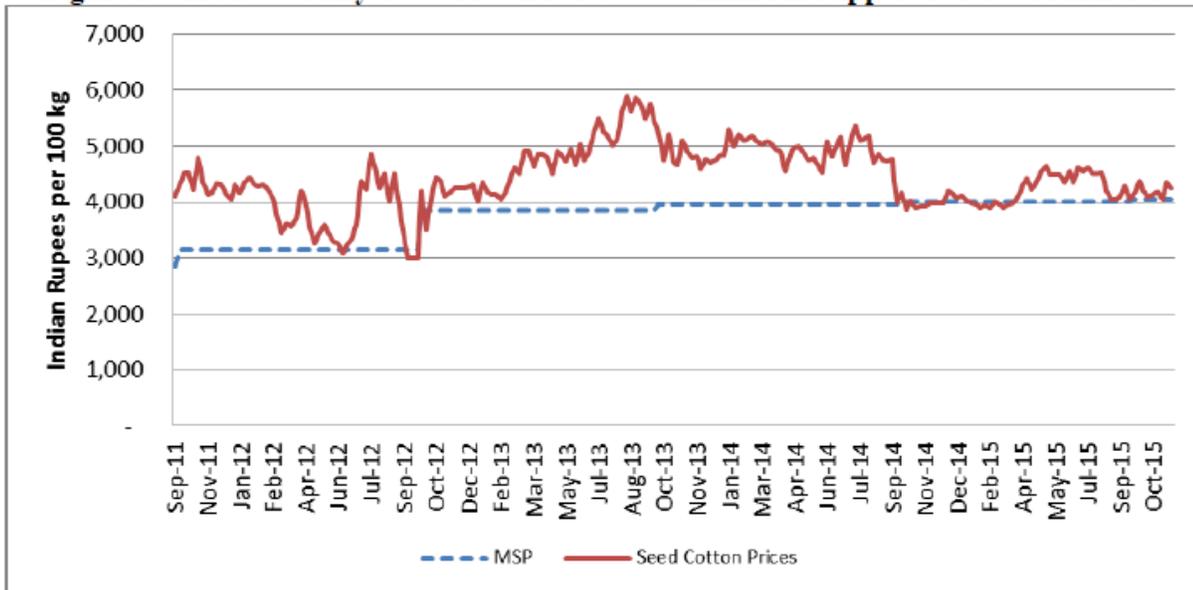
Source: Textile Commissioner

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



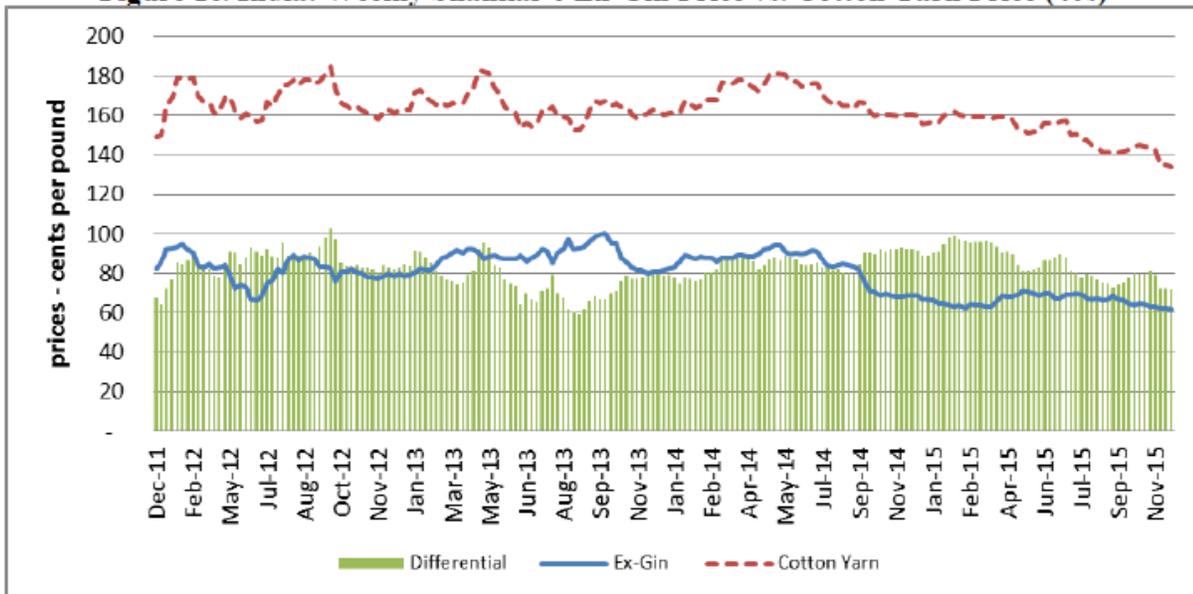
Source: Cotton Association of India
Cotlook A-Index

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



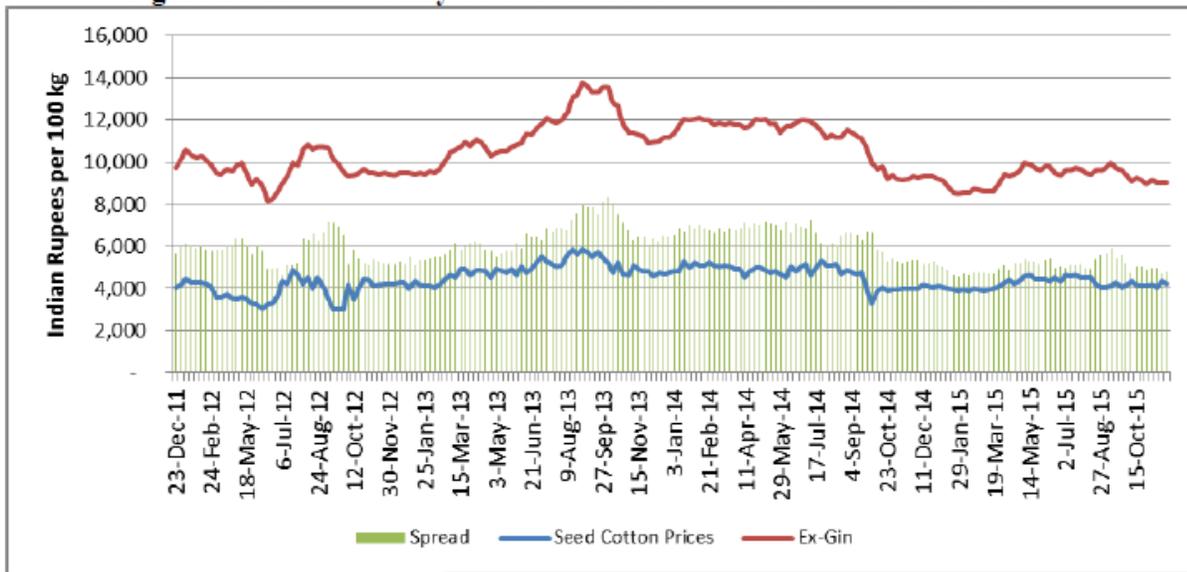
Source: Agriculture Marketing Information Network, Ministry of Agriculture

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