

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 12/14/2018

**GAIN Report Number:** IN8131

## India

### Cotton and Products Update

#### **MY 2018-19 cotton production forecast at 27.8 million 480 lb bales on an acreage of 12.35 million hectares**

**Approved By:**

Tiffany Landry

**Prepared By:**

Dhruv Sood

**Report Highlights:**

FAS Mumbai estimates marketing year (MY) 2018/19 cotton acreage at 12.35 million hectares and production at 27.8 million 480-pound (lb) bales. The lower production estimate is based on erratic rains in the cotton growing states of Gujarat and Maharashtra. However, FAS Mumbai estimates strong growth in cotton consumption at 25.3 million 480-pound (lb) bales. Strong cotton yarn exports is contributing to mills increasing cotton stocks, which have reached record levels.

## **Area and Production**

FAS Mumbai estimates MY 2018/19 production at 27.8 million 480-lb bales (35.6 million 170-kilogram bales/6 MMT), which is 200,000 480-lb bales lower than the official USDA estimate. The FAS Mumbai all India cotton yield estimate of 490 kilogram per hectare is three percent lower than the yield estimate for the MY 2017/18 crop. The planted area of 12.35 million hectares is based on sowing reports of various cotton-growing states.

The lower yield estimate in the states of Maharashtra and Gujarat are based on deficit rains. Gujarat state was very dry during the Southwest Monsoon 2018 (June to September), especially the Saurashtra and Kutch region. Rainfall in Saurashtra and Kutch was 34 percent lower than the normal 50-year average, the lowest in the past five years. Similarly, in Maharashtra state, the central Marathwada region received 22 percent lower rains than the normal 50-year average, and the Vidarbha region in Eastern Maharashtra received 8 percent lower rainfall than the 50-year average. There was a long dry spell during the Southwest Monsoon (June to September), which delayed the planting of cotton, and in some districts led to re-sowing. In addition, government advisories have reported the incidence of pest and diseases, mostly in irrigated cotton, but the overall number is low. Farmers are expected to do minimal (e.g. 2-3) pickings, although the duration between pickings might be longer than normal as seed cotton prices have been holding above minimum support price (MSP) rates since the beginning of the harvest. Currently average prices are 5-6 percent higher than the MSP and farmers are delaying picking / holding cotton in anticipation of further price increases.

While the central states of Gujarat and Maharashtra have faced drier conditions than normal, the southern state of Karnataka has received deficit monsoon and post-monsoon rains. Cotton is grown mainly in the north Karnataka plateau, which offers ideal conditions for cotton production. Northern Karnataka constitutes almost 80 percent of the total cotton area in the state. However, the extremely dry weather conditions with limited water for irrigation led to lower planting of cotton area than last year. Even the late sown cotton during the Rabi season (winter planting) has been much lower. According to the Indian Meteorological Department (IMD), the cumulative rainfall for the Southwest Monsoon 2018 (June to September) in Karnataka was four percent lower than the fifty-year average, and forty-six percent lower during the post-monsoon season (October-December). FAS Mumbai estimates the cotton crop yield in Karnataka at 448 kilograms per hectare.

## **Cotton Advisory Board estimates lower 2018/19 production**

On November 22, 2018, the Cotton Advisory Board (CAB) released MY 2018/19 production estimates of 28.1 million 480-lb bales (36.1 million 170 kg bales/6.1 mmt) on 12.238 million hectares. CAB estimates the all India cotton yield at 501 kilograms per hectare. The official Indian CAB production estimate is similar to the official USDA estimate of 28 million 480-lb bales.

## **Consumption**

FAS Mumbai estimates MY 2018/19 consumption at 25.3 million 480-lb bales, which is the same as the USDA official estimate. Cotton consumption continues to show strong growth from last year. According to the Textile Commissioner Office (TCO), the cotton consumption for August and September increased by 13 percent and 18 percent respectively as compared to last year. Mills continue to build on the growth in consumption from last season; however, the rising raw cotton prices and low yarn prices are reducing the price differential and squeezing the margins of the mills. The new crop arrivals have commenced, and the Cotton Corporation of India reported arrivals as of November 12,

2018 were around 1.5 million 480-lb bales (2 million 170 kg bales/340,000 mt). Farm-gate prices have remained higher than the MSP since harvesting commenced, so the domestic purchases of raw cotton have remained limited. In November 2018, Indian ex-gin prices was on par with the Cotlook A Index prices, so mills may consider the option of buying foreign origin cotton.

FAS Mumbai lowered the MY 2017/18 cotton consumption estimates based on the updated data published by the TCO. Indian mills are required to file annual and monthly returns on raw cotton consumption among other statistical data through an online digital platform. The monthly returns are submitted by the 15<sup>th</sup> day of the succeeding month. The non-textile consumption estimate published by CAB was also revised from MY 2016/17 onwards, and FAS Mumbai has adjusted the figures accordingly.

### **Stocks**

Mill stocks reported by TCO for August and September are the highest reported levels in the past decade for the respective months. The large inventories that mills are building indicates the expected strong cotton consumption in the market. TCO data shows September 2018 mill stocks at 3.5 million 480-lb bales which is the highest in a decade. Mills maintain adequate cotton stocks as domestic demand remains strong, and cotton yarn and fabric exports rise.

### **Trade**

FAS Mumbai estimates MY 2018/19 exports at 4.3 million 480-lb bales (5.5 million 170-kg bales/936,000 MT), which is the same as the official USDA estimate. Indian cotton will compete with cotton from other major global exporters.

Exports in the first three months (August-October) of MY 2018/19 have been twice as much as in the first three months of 2017/18, but as the Indian currency has strengthened by nearly four percent in November, shipments should return to normalcy in the coming months. Cotton yarn exports remained strong in MY 2018/19. In October 2018, China and Bangladesh remained the top exports markets for Indian cotton yarn, while Bangladesh, Sri Lanka and South Korea are the top export destinations for cotton fabric. MY 2018/19 exports in August and September from the United States to India include Pima and upland cotton at 41,500 480-lb bales. The share of Pima cotton exports is around 55 percent at 22,871 480-lb bales, and the remaining 45 percent share is upland cotton.

FAS Mumbai estimates MY 2018/19 imports at 1.5 million 480-lb bales (1.9 million 170-kg bales/326,000 MT). Imports will remain stable as mills import for processing, and re-export to cover export commitments. The movement of the Indian currency will be a determining factor in the volume of imports in the latter half of the season. Australia and the United States remain the top exporters to Indian mills.

**Production, Supply, Distribution – Cotton – India**

	<b>2016/2017</b>		<b>2017/2018</b>		<b>2018/2019</b>	
<b>Begin Market Year</b>	August 2016		August 2017		August 2018	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Planted</b>	-	-	-	-	-	-
<b>Area Harvested (a)</b>	10,850	10,850	12,400	12,450	12,400	12,350
<b>Beginning Stocks</b>	7,044	7,044	7,880	7,860	8,675	9,358
<b>Production</b>	27,000	27,000	29,000	29,000	28,000	27,800
<b>Imports</b>	2,736	2,736	1,677	1,677	1,500	1,500
<b>MY U.S. Imports</b>	-	-	-	-	-	-
<b>Total Supply</b>	36,780	36,780	38,557	38,537	38,175	38,658
<b>Exports</b>	4,550	4,520	5,182	5,179	4,300	4,300
<b>Use</b>	24,350	24,400	24,700	24,000	25,300	25,300
<b>Loss</b>	-	-	-	-	-	-
<b>Total Dom. Cons.</b>	24,350	24,400	24,700	24,000	25,300	25,300
<b>Ending Stocks</b>	7,880	7,860	8,675	9,358	8,575	9,058
<b>Total Distribution</b>	36,780	36,780	38,557	38,537	38,175	38,658
<b>Stock to Use (b)</b>	27	27	29	32	29	31
<b>Yield (c)</b>	542	542	509	507	492	490

Figures in Thousand 480-lb Bales,

Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares



**Table 1: India's Cotton Consumption (Mill and Small Sector Units) By Month**  
(Figures in Million 480-lb Bales)

Month	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Aug	1.723	1.892	1.910	2.019	1.903	1.805	<b>2.047</b>
Sep	1.676	1.851	2.015	1.919	1.807	1.737	<b>2.043</b>
Oct	1.706	1.876	1.886	1.929	1.680	<b>1.728</b>	
Nov	1.647	1.793	1.955	1.822	1.801	<b>1.811</b>	
Dec	1.768	1.965	2.022	1.990	1.920	<b>1.963</b>	
Jan	1.819	1.967	2.012	1.972	1.954	<b>1.960</b>	
Feb	1.737	1.814	1.919	1.924	1.908	<b>1.950</b>	
Mar	1.843	1.957	2.044	2.000	2.022	<b>2.024</b>	
Apr	1.813	1.898	1.997	1.949	1.938	<b>2.003</b>	
May	1.784	1.904	2.000	1.982	1.941	<b>2.061</b>	
Jun	1.758	1.882	2.000	1.982	1.918	<b>2.022</b>	
Jul	1.883	1.916	1.996	1.953	1.927	<b>2.054</b>	
Loss*	<i>0.611</i>	<i>0.493</i>	<i>0.390</i>	<i>1.405</i>	<i>1.679</i>	<i>0.898</i>	<i>0.937</i>
<b>Total</b>	21.767	23.208	24.146	24.847	24.397	24.017	

Figures in Bold are Provisional

\*Loss estimate from the Cotton Advisory Board added into total consumption

Source: Textile Commissioner Office, Government of India

**Table 2. India: Monthly Cotton Stocks held by the Textile Sector**  
(Figures in Million 480-lb Bales)

Month	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19
Aug	2.704	2.821	2.733	2.763	2.676	2.495	3.701
Sep	2.309	2.272	2.381	2.312	2.238	2.611	3.537
Oct	2.045	1.954	2.147	2.219	2.163	2.067	
Nov	2.327	2.016	3.019	2.871	2.134	2.711	
Dec	2.954	2.692	3.164	3.496	2.683	4.008	
Jan	3.682	3.404	3.593	3.950	3.133	4.570	
Feb	4.133	3.778	4.058	4.489	3.682	4.477	
Mar	4.395	4.214	4.166	4.670	4.080	4.818	
Apr	4.510	4.319	4.158	4.425	4.158	4.853	
May	3.914	4.239	3.894	4.014	3.950	4.878	
Jun	3.499	3.810	3.650	3.684	3.739	4.285	
Jul	3.282	3.284	3.094	3.182	3.516	3.852	

\*Provisional Figures

Source: Textile Commissioner, Ministry of Textiles, Government of India

**Table 3. India: Monthly Cotton Yarn Stocks held by the Textile Sector**  
(Figures in Million 480-lb Bales)

Month	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Aug	81	94	130	130	122	150	115
Sep	95	104	131	130	120	145	118
Oct	96	104	139	133	131	130	
Nov	98	106	134	136	130	113	
Dec	91	103	125	124	129	104	
Jan	93	92	126	124	115	105	
Feb	85	100	117	121	120	108	
Mar	84	104	110	110	115	109	
Apr	95	111	110	100	107	99	
May	97	109	120	103	115	101	
Jun	92	118	124	102	121	109	
Jul	91	125	125	106	142	116	

Source: Textile Commissioner, Ministry of Textiles, Government of India

**Table 4a. India: Estimate of 2017/18 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,481	13,342	61,279
October Exports 1\	67,155	11,416	52,435
November Exports 1\	547,000	92,990	427,100
December Exports 1\	1,032,618	175,545	806,272
January Exports 1\	934,086	158,795	729,338
February Exports 1\	830,966	141,264	648,821
March Exports 1\	887,481	150,872	692,948
April Exports 1\	823,273	139,956	642,815
May Exports 1\	569,878	96,879	444,963
June Exports 1\	493,862	83,957	385,609
July Exports 1\	280,885	47,750	219,316
<b>Total</b>	<b>6,632,347</b>	<b>1,127,499</b>	<b>5,178,562</b>

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

**Table 4b. India: Estimate of 2018/19 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	192,083	32,654	149,979
September Exports 1\	96,376	16,384	75,251
October Exports 2\	225,000	38,250	175,681
<b>Preliminary Total (Aug-Oct)</b>	<b>513,460</b>	<b>87,288</b>	<b>400,911</b>

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

2\ FAS Analysis

**Table 5a. India: Estimate of 2017/18 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,606	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,806	10,167	46,697
January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 1\	212,332	36,096	165,789
May Imports 2\	198,388	33,726	154,902
June Imports 2\	217,112	36,909	169,522
July Imports 2\	182,847	31,084	142,768
<b>Total</b>	<b>2,147,325</b>	<b>365,045</b>	<b>1,676,640</b>

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

2\ FAS Analysis

**Table 5a. India: Estimate of 2018/19 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb</b>
August Imports 1\	153,247	26,052	119,656
September Imports 1\	134,212	22,816	104,793
October Imports 2\	88,500	15,045	69,101
<b>Preliminary Total (Aug-Oct)</b>	<b>375,959</b>	<b>63,913</b>	<b>293,550</b>

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

2\ FAS Analysis

**Table 6: India's Cotton Yarn\* Exports by Month  
(Figures in thousand Metric Tons)**

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	93	113	94	117	66	79	108
Sep	65	108	98	112	77	99	98
Oct	76	119	101	106	76	98	99
Nov	87	106	125	105	103	111	
Dec	108	113	125	115	173	116	
Jan	99	131	113	104	132	87	
Feb	102	108	119	100	107	95	
Mar	107	117	122	112	89	118	
Apr	80	94	104	105	66	106	
May	95	93	99	94	65	109	
Jun	103	76	103	92	78	117	
Jul	111	87	118	75	71	101	
<b>TOTAL</b>	<b>1,126</b>	<b>1,266</b>	<b>1,321</b>	<b>1,237</b>	<b>1,102</b>	<b>1,236</b>	

\*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

**Table 7: India's Cotton Fabric\* Exports by Month  
(Figures in thousand square meters)**

Month/Year	2012-13	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19
Aug	77,093	78,908	92,491	101,473	114,071	107,441	147,642
Sep	72,827	101,017	98,636	103,974	104,661	123,563	126,494
Oct	70,553	101,327	108,182	117,801	105,404	109,572	
Nov	66,084	85,897	103,471	95,082	87,723	118,218	
Dec	75,412	100,335	105,335	120,598	111,894	132,634	
Jan	74,008	91,169	93,192	116,656	107,512	125,357	
Feb	65,141	87,377	96,586	107,487	115,131	113,085	
Mar	75,329	98,696	105,169	120,461	112,033	133,115	
Apr	65,683	88,629	86,833	109,559	94,314	114,596	
May	65,469	81,581	103,443	103,401	89,070	119,666	
Jun	67,760	94,572	103,909	97,017	93,372	122,125	
Jul	78,547	87,284	97,115	98,890	94,399	113,613	
<b>TOTAL</b>	<b>853,906</b>	<b>1,095,904</b>	<b>1,194,361</b>	<b>1,292,397</b>	<b>1,229,584</b>	<b>1,432,986</b>	

\*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce