

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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India

Post: New Delhi

Exports of Cotton Allowed Under License

Report Categories:

Cotton and Products

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Report Highlights:

On May 21, 2010, the Government of India allowed exports of raw cotton, and cotton waste against export licenses to be issued by the Directorate General of Foreign Trade. Estimates for MY 2009/10 exports have been marginally raised to 6.4 million bales based on reports that government may allow exports of cotton to Pakistan and Bangladesh that had been contracted before the April 19th order suspending cotton exports.

General Information:

Government Allows Exports of Cotton But Under License

On May 21, 2010, the Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry notified that exports of raw cotton and waste (HS Codes 5201, 5202 and 5203) have been moved to the restricted list. Consequently, exports of cotton will be allowed against license issued by the DGFT. However, the notification does not specify the conditions for issuance of the license.

Earlier, export of cotton fell under Open General License (OGL) - freely exportable without any licensing restrictions. However, exports of cotton had to be registered with the Textile Commissioner's Officer (TCO) prior to shipment. In April 19, 2010, the TCO issued an order suspending all exports (see Gain report IN1039).

Since the May 21 announcement, the government had been under pressure from the traders, cotton surplus states and foreign buyers to allow exports. Some of the cotton exporting states like Gujarat and Maharashtra opposed the suspension of exports on concerns on impacting their farmers and traders. Media report suggests that some countries asked the Government of India to allow exporters to honor the contracts made by Indian exporters before exports were suspended. Traders are also concerned about penalty clause for not honoring the contract. Industry sources report that government initially plans to allow the DGFT to issue export license to the traders who have revalidated their registered but unshipped export contracts [1] for shipment to Pakistan and Bangladesh, which will be shipped through end July. Trade sources expect that the government may allow a second tranche of export license for exports to other countries in July, which could be exported in August/September.

Although the trade sources are relieved about chances for resumption of exports, they are concerned about cotton being brought under the licensing regime, which will subject trade to political uncertainty and bureaucratic hassles. At this point of time there is no clarity about how the government plans to allow exports of cotton during the upcoming MY 2010/11 - whether it will be annual/monthly/weekly quotas, allocation criterion (first-come-first-serve basis or maximum export price, etc).

MY 2009/10 Exports Raised on Additional Exports to Pakistan/Bangladesh

Post's MY 2009/10 export estimate has been raised higher to 6.4 million bales based on expected government permission to allow exports against the revalidated registered/unshipped contracts for supply to Pakistan and Bangladesh. The MY 2010/11 export forecast remains unchanged at 5.5 million bales as government has announced any policy for the exports in the forthcoming season.

On April 19 when the TCO announced the suspension of cotton exports, unshipped export contracts with valid registration was estimated at 910,000 bales; but of this only 660,000 bales were registered for revalidation by the exporters. Although official figures are not available, market sources estimate that revalidated export contracts for Pakistan and Bangladesh account for about 240,000 bales. There may be some cancellation/settlement/default of the revalidated export contracts, and an additional 200,000 bales could be exported through end July. With the latest TCO official figures showing cotton exports during August 2009 through May 2010 at 6.18 million bales, additional exports of cotton to Pakistan and Bangladesh during June/July would raise the MY 2009/10 total exports to 6.4 million bales.

[1] The April 19th order had asked the exporters who had valid TCO registered contracts but had not shipped the quantity to submit applications for revalidation to the TCO by April 30, 2010. The TCO would take the decision of allowing exports of the revalidated unshipped /registered contracts depending on the supply situation.

Production, Supply and Demand Data Statistics :

Table 1: Commodity, Cotton (480 lb bales) PSD

(Area in thousand hectares and other figures in thousand 480 lb bales)

Cotton India	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Aug 2008			Market Year Begin: Aug 2009			Market Year Begin: Aug 2010		
	USDA Officia l	Old Post	New Post	USDA Officia l	Old Post	New Post	USDA Officia l	Old Post	New Post
Area Planted	0	9,406	9,406	0	10,260	10,260	0	10,300	10,300
Area Harvested	9,406	9,406	9,406	10,260	10,260	10,260	10,300	10,300	10,300
Beginning Stocks	6,634	6,634	6,634	9,924	9,764	9,764	8,324	8,014	7,814
Production	22,600	22,600	22,600	23,500	23,500	23,500	25,000	25,000	25,000
Imports	800	800	800	600	600	600	625	625	625
MY Imports from U.S.	0	190	190	0	180	180	0	200	200
Total Supply	30,034	30,034	30,034	34,024	33,864	33,864	33,949	33,639	33,439
Exports	2,360	2,370	2,370	6,200	6,200	6,400	5,700	5,500	5,500
Use	17,750	16,300	16,300	19,500	17,950	17,950	20,400	18,750	18,750
Loss	0	1,600	1,600	0	1,700	1,700	0	1,800	1,800
Total Dom. Cons.	17,750	17,900	17,900	19,500	19,650	19,650	20,400	20,550	20,550
Ending Stocks	9,924	9,764	9,764	8,324	8,014	7,814	7,849	7,589	7,389
Total Distribution	30,034	30,034	30,034	34,024	33,864	33,864	33,949	33,639	33,439
Stock to Use %	49	52	52	32	33	32	30	31	30
Yield	523.	523.	523.	499.	499.	499.	528.	528.	528.
TS=TD			0			0			0