

**Required Report:** Required - Public Distribution

**Date:** November 27,2020

**Report Number:** IN2020-0176

## **Report Name:** Cotton and Products Update

**Country:** India

**Post:** New Delhi

**Report Category:** Cotton and Products

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### **Report Highlights:**

Post estimates cotton production at 29.3 million 480-lb. bales in marketing year (MY) 2020/21 on an area of 13 million hectares. There are increasing reports of pest infestation across various states, but most are localized incidences. Fiber prices have improved due to a sharp rise in government procurement, coupled with rising exports of raw cotton and cotton products. Mill consumption remains constrained at 22.8 million 480-lb. bales as fears of additional lockdown measures continue to affect consumer sentiment.

### Production, Supply and Demand Data Statistics:

Cotton	2018/2019		2019/2020		2020/2021	
Market Begin Year	Aug 2018		Aug 2019		Aug 2020	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested (a)	12,600	12,600	13,300	13,300	13,400	13,000
Beginning Stocks	9,225	9,225	9,304	9,304	17,884	17,684
Production	25,800	25,800	29,500	29,300	30,000	29,300
Imports	1,800	1,800	2,280	2,280	1,000	1,000
MY U.S. Imports	-	-	-	-	-	-
Total Supply	36,825	36,825	41,084	40,884	48,884	47,984
Exports	3,521	3,521	3,200	3,200	5,000	4,700
Use	24,000	24,000	20,000	20,000	23,000	22,800
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,000	24,000	20,000	20,000	23,000	22,800
Ending Stocks	9,304	9,304	17,884	17,684	20,884	20,484
Total Distribution	36,825	36,825	41,084	40,884	48,884	47,984
Stock to Use (b)	34%	34%	77%	76%	75%	74%
Yield (c)	446	446	483	480	487	491

Figures in Thousand 480-lb Bales,

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

### Area and Production

Post estimates India's cotton production at 29.3 million 480-lb. bales (37.5 million 170-kilogram bales/ 6.4 million metric tons) for marketing year (MY) 2020/21 on an area of 13 million hectares. Post's area estimate is 400,000 hectares lower than the official USDA estimate. According to the First Advance Estimates for 2020-21 published by the Ministry of Agriculture and Farmers Welfare's (MOAFW), *Kharif* cotton area is estimated at 12.957 million hectares compared to 2019/20 fourth advance estimates of 13.369 million hectares. Post's production estimates are 700,000 480 lb. bales lower than official USDA estimate, however the estimated yields are marginally higher due to lesser impact of widespread rains on crops across major cotton growing districts. Harvesting is underway across all cotton regions, with incidences of pink bollworm and boll rot reported from certain districts in Andhra Pradesh due to heavy rains. In Gujarat and Telangana, there are also reports of pink bollworm infestation, and farmers have been advised to detach the infected flower from the cotton plant, and destroy it along with the caterpillar prior to spraying insecticides and installing pheromone traps.

### Government Procurement Continues at a Brisk Pace

The Cotton Corporation of India (CCI) has been procuring supplies under the minimum support price (MSP) program for Indian marketing year (Oct/Sep) 2020/21. Procurement operations of seed cotton (*kapas*) under MSP are actively underway in the states of Punjab, Haryana, Rajasthan Madhya Pradesh, Maharashtra, Gujarat, Telangana, Andhra Pradesh, Odisha, and Karnataka. According to a recent [press release](#) by the Ministry of Agriculture & Farmers Welfare, cotton procurement as of November 23, 2020, has reached 1.77 million 480-lb. bales (2.26 million 170-kilogram bales/384,000 MT), valued at US\$ 917 million (INR 6,783 crore) benefitting 453,560 farmers.

## **Arrivals and Stocks**

According to CCI, new crop arrivals as of November 24 are around 5 million 480-lb. bales (6.5 million 170-kilogram bales/ 1.1 MMT), which is the highest arrival level in the past five years. Farm gate seed cotton prices have risen by 19 percent since the beginning of the Indian marketing year (Oct/Sep), and seven percent from previous month, however, prices still remain below the MSP rates, prompting farmers to prefer selling to government agencies, instead of private traders. As of November 25, trade sources indicate that unsold stock from MY 2019/20 remaining with government agencies is around 2.7 million 480 lb. bales (3.5 million 170-kilogram bales/595,000 MT). Cumulatively, unsold stocks held by government agencies and private traders is estimated at 12.5 million 480 lb. bales (16 million 170-kilogram bales/2.7 MMT).

## **Consumption**

Post estimates MY 2020/21 cotton consumption at 22.8 million 480-lb bales (29.2 million 170-kilogram bales/5 MMT). This estimate is 200,000 480 lb. bales lower than the official USDA estimate. Due to a gradual easing of the lockdown, mill operations have resumed and orders starting to flow in, however the industry has not reached pre-COVID demand levels. Export orders also are cautious and demurred. As a result, cash flow is still stressed across the supply chain and producers are operating hand-to-mouth. Trade sources indicate that small to medium sized mills are carrying 45 days of inventory, covering them until the end of December. Larger mills are covered for about 65 days, as such, the mill buying rate has slowed down. The reduction in overall demand continues to intensify the global competition. While this pent-up demand has improved yarn rates and margins in the short term, the medium-term (1-3 years) growth will likely be driven by higher demand in the blended yarn/fabric industry, specifically for medical apparel and personal protective equipment (PPE).

As for domestic consumption, retail apparel demand remains subdued due to a rising number of COVID-19 cases. The reopening of retail markets over the past two months in addition to the local holiday season, and the onset of weddings and winter in Northern India have led to a surge in demand. However, rising COVID-19 cases and the expected reinstatement of lockdown measures will limit consumer footfall, slowing down demand recovery.

For the month of September 2020, the quick estimates of the Index of Industrial Production (IIP), indicate that the textile manufacturing sector witnessed 12 percent negative growth in production volume compared to September 2019, highlighting ongoing contraction due to COVID-19. Cumulatively, Indian fiscal year 2020/21 (Apr/Sep) witnessed a 41 percent decline as compared to 2019/20. However, it should be noted that the monthly index of textile production has been rising steadily since April onwards and has surpassed the base index value indicating positive growth. For more details please refer to [Quick Estimates of IIP September 2020](#).

## **Trade**

Post estimates MY 2020/21 exports at 4.7 million 480-lb. bales (6 million 170-kilogram bales/1 MMT). Post's estimate is almost 300,000 480-lb. bales lower than the official USDA estimate. While raw cotton shipments seem to be increasing, the pace of recovery is slow and uncertain due to growing concerns about a resurgence of the COVID-19 cases in export markets. Since October, Indian ex-gin prices have risen by nine percent, aligned with Cotlook A-Index which increased by ten percent simultaneously. The prospect of lower supplies of higher quality cotton, and rising demand has led to a surge in fiber prices. Nevertheless, Indian cotton still remains one of the least expensive in the world. According to

FAS analysis, raw cotton shipments in October were 18 percent higher than the previous month. Bangladesh, China, and Vietnam were the top export destinations.

Indian cotton yarn prices have also risen by twelve percent since October, driven by higher yarn demand mostly from Bangladesh, China, Peru and Portugal. Preliminary trade estimates published by the Ministry of Commerce indicate that cotton yarn shipments (by volume) in October were five percent lower than the previous month, however the shipments were 12 percent higher on a year over year basis. Cumulatively, in MY 2020/21 between August to October, cotton yarn shipments are 29 percent higher than same period last year.

Provisional trade estimates published by the Ministry of Commerce indicate that exports of cotton yarn/fabrics/made-ups and] handloom products were 7 percent higher (by value) in October 2020 as compared to the same period last year. However, the cumulative value of exports between April-October is lower by 16 percent, compared to same period last year. Similarly, exports of readymade garments of all textiles are higher by 6 percent in October compared to the same month last year, however the cumulative value of exports from April – October fell by 34 percent compared to the same period last year. The impact of COVID-19 ] has not spared exports of man-made yarn/fabrics/made-ups, as they are down by 13 percent in October compared to the same month last year, and 35 percent from April-October 2020.

Despite a slow recovery of trade flows, there are other challenges disrupting the supply chain. As international trade flow between different world regions was disrupted, the availability of empty containers at different locations and vessel space became limited. Consequently, there has been a significant increase in freight rates, making exports and imports of raw material costly and challenging. In addition, there are other issues such as labor shortages, an uncertain demand outlook, and limited liquidity affecting trade. Also, due to exchange rate volatility, exporters are facing difficulties in finalizing export orders.

Post estimates MY 2020/21 imports at 1 million 480-lb. bales (1.28 million 170-kilogram bales/218,000 MT). Post analysis indicates that October imports declined by more than 40 percent from previous month. In October, top cotton suppliers were the United States, Egypt, and West African countries. Post analysis indicates that almost 68 percent of total imports were shipped to ports in Southern India. This decline in shipments can be attributed to the availability of large volumes of domestic crop along with rising volatility in India's currency.

**Table 1. India: State monthly wholesale prices for seed cotton in November 2020\*\***  
(Prices in Indian Rupees per 100 kilograms)

State	Prices, November, 2020**	Prices, October, 2020	Prices, November, 2019	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	-	5,027	-	-
Gujarat	5,201	4,731	4,700	9.9%	10.7%
Haryana	5,150	5,150	5,308	0.0%	-3.0%
Karnataka	4,903	4,800	5,083	2.2%	-3.5%
Madhya Pradesh	5,112	4,819	4,912	6.1%	4.1%
Maharashtra	5,225	4,504	4,831	16.0%	8.2%
Odisha	-	-	5,055	-	-
Punjab	5,588	5,447	5,155	2.6%	8.4%
Rajasthan	5,371	5,280	5,247	1.7%	2.4%
Tamil Nadu	5,169	4,628	4,869	11.7%	6.2%
Telangana	5,483	-	4,805	-	14.1%
Uttar Pradesh	5,874	5,147	4,812	14.1%	22.1%
<b>Average</b>	<b>5,308</b>	<b>4,945</b>	<b>4,984</b>	<b>7.3%</b>	<b>6.5%</b>

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare

\*\*Prices reported for the period from November 01-22, 2020

**Table 2. India: State Seed Cotton Arrivals in market yards**  
in November 2020\*\* (in metric tons)

State	Market Arrivals November, 2020	Market Arrivals November, 2019	Change (Over Previous Year)
Andhra Pradesh	2,648	6,009	-55.9%
Gujarat	49,312	204,455	-75.9%
Haryana	10,592	55,449	-80.9%
Karnataka	29,332	29,288	0.2%
Madhya Pradesh	58,556	41,452	41.3%
Maharashtra	20,048	19,332	3.7%
Odisha	-	51	-
Punjab	43,877	17,778	146.8%
Rajasthan	38,604	149,090	-74.1%
Tamil Nadu	74	264	-72.1%
Telangana	90,938	97,617	-6.8%
Uttar Pradesh	85	833	-89.8%
<b>Total</b>	<b>344,065</b>	<b>621,619</b>	<b>-44.7%</b>

Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare

\*\*Arrivals reported for the period from November 01-22, 2020

**Table 3a. India: Estimate of 2018/19 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	192,082	32,654	149,979
September Exports 1\	96,376	16,384	75,251
October Exports 1\	228,606	38,863	178,496
November Exports 1\	653,624	111,116	510,352
December Exports 1\	901,200	153,204	703,660
January Exports 1\	689,853	117,275	538,640
February Exports 1\	546,924	92,977	427,040
March Exports 1\	703,312	119,563	549,149
April Exports 1\	213,259	36,254	166,513
May Exports 1\	138,194	23,493	107,902
June Exports 1\	62,624	10,646	48,897
July Exports 1\	83,553	14,204	65,238
<b>Total</b>	<b>4,509,606</b>	<b>766,633</b>	<b>3,521,118</b>

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

**Table 3b. India: Estimate of 2019/20 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	78,033	13,266	60,929
September Exports 1\	74,994	12,749	58,556
October Exports 1\	115,012	19,552	89,802
November Exports 1\	342,382	58,205	267,333
December Exports 1\	604,606	102,783	472,079
January Exports 1\	946,865	160,967	739,316
February Exports 1\	566,959	96,383	442,684
March Exports 1\	361,059	61,380	281,916
April Exports 1\	33,792	5,745	26,385
May Exports 1\	158,006	26,861	123,372
June Exports 1\	381,766	64,900	298,085
July Exports 1\	430,835	73,242	336,398
<b>Total</b>	<b>4,094,310</b>	<b>696,033</b>	<b>3,196,853</b>

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

**Table 3c. India: Estimate of 2020/21 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	57,755	9,818	45,095
September Exports 1\	76,266	12,965	59,549
October Exports 2\	90,000	15,300	70,272
<b>Preliminary Total (Aug-Oct)</b>	<b>224,021</b>	<b>38,084</b>	<b>174,916</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 4a. India: Estimate of 2018/19 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Imports 1\	153,248	26,052	119,657
September Imports 1\	134,210	22,816	104,792
October Imports 1\	87,296	14,840	68,161
November Imports 1\	57,035	9,696	44,533
December Imports 1\	59,322	10,085	46,319
January Imports 1\	86,485	14,702	67,528
February Imports 1\	85,275	14,497	66,583
March Imports 1\	151,137	25,693	118,008
April Imports 1\	177,345	30,149	138,472
May Imports 1\	246,676	41,935	192,606
June Imports 1\	408,421	69,431	318,896
July Imports 1\	658,936	112,019	514,499
<b>Total</b>	<b>2,305,387</b>	<b>391,916</b>	<b>1,800,055</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 2019/20 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Imports 1\	974,913	165,735	761,216
September Imports 1\	543,860	92,456	424,648
October Imports 1\	360,272	61,246	281,301
November Imports 1\	222,081	37,754	173,402
December Imports 1\	124,683	21,196	97,353
January Imports 1\	99,325	16,885	77,553
February Imports 1\	96,118	16,340	75,050
March Imports 1\	112,053	19,049	87,491
April Imports 1\	86,721	14,743	67,712
May Imports 1\	114,727	19,504	89,580
June Imports 1\	107,271	18,236	83,758
July Imports 1\	77,978	13,256	60,886
<b>Preliminary Total (Aug-Jul)</b>	<b>2,920,003</b>	<b>496,400</b>	<b>2,279,949</b>

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

**Table 4c. India: Estimate of 2020/21 Cotton Imports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Imports 1\	60,682	10,316	47,381
September Imports 1\	88,401	15,028	69,024
October Imports 2\	52,000	8,840	40,602
<b>Preliminary Total (Aug-Oct)</b>	<b>201,084</b>	<b>34,184</b>	<b>157,007</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 5: India's Cotton Yarn\* Exports by Month**  
(Figures in thousand Metric Tons)

Month/Year	2014/15	2015/16	2016-17	2017-18	2018/19	2019/20	2020/21
Aug	94	117	66	79	108	67	92
Sep	98	112	77	99	98	66	93
Oct	101	106	76	98	97	78	88
Nov	125	105	103	111	95	89	
Dec	125	115	129	116	92	91	
Jan	113	104	132	87	91	102	
Feb	119	100	103	95	100	91	
Mar	122	112	89	118	117	73	
Apr	104	105	66	106	89	18	
May	99	94	65	109	76	58	
Jun	103	92	78	117	58	96	
Jul	118	75	71	101	59	101	
<b>TOTAL</b>	<b>1,321</b>	<b>1,237</b>	<b>1,055</b>	<b>1,236</b>	<b>1,080</b>	<b>929</b>	

\*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

**Table 6. India's Cotton Fabric\* Exports by Month**  
(Figures in thousand square meters)

Month/Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019/20	2020/21
Aug	92,491	101,609	113,364	107,497	147,673	150,882	199,848
Sep	98,636	104,032	104,666	123,688	126,498	139,365	155,768
Oct	108,182	117,744	105,449	109,769	142,260	146,139	
Nov	103,471	95,225	87,711	118,256	119,215	126,143	
Dec	105,335	121,134	112,030	132,635	132,049	142,892	
Jan	93,192	116,656	107,852	125,493	136,899	140,226	
Feb	96,586	107,487	110,875	113,399	135,495	148,992	
Mar	105,169	120,461	113,507	133,927	162,676	121,661	
Apr	87,666	109,535	94,383	114,876	126,001	21,311	
May	104,169	103,373	89,117	119,821	141,129	69,665	
Jun	104,505	97,043	93,410	122,381	131,541	127,795	
Jul	97,421	98,914	94,399	113,614	140,850	160,140	
<b>TOTAL</b>	<b>1,196,821</b>	<b>1,293,214</b>	<b>1,226,764</b>	<b>1,435,355</b>	<b>1,642,288</b>	<b>1,495,213</b>	

\*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

**Attachments:**

No Attachments