

**Voluntary Report** – Voluntary - Public Distribution

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**Country:** India

**Post:** Mumbai

**Report Category:** Cotton and Products

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**Report Highlights:**

On February 1, the Government of India announced the imposition of a ten percent duty on imported cotton. The country's textile sector is concerned that the new tariffs will hurt its position in global textile markets by making its value-added products less competitive. Post estimates cotton production at 28.9 million 480-lb. bales in marketing year (MY) 2020/21 on an area of 13.3 million hectares. The Cotton Corporation of India (CCI) has purchased 25 percent of the entire current crop under the minimum support price (MSP) program and remains active. Indian fiber and yarn prices remain higher than MSP levels as export demand remains strong, but domestic consumption remains sluggish.

### 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	13,400	13,400	13,300	13,300
Beginning Stocks	9,225	9,225	9,004	9,004	17,584	17,582
Production	25,800	25,800	29,500	29,500	29,000	28,900
Imports	1,800	1,800	2,280	2,280	800	1,000
MY U.S. Imports	-	-	-	-	-	-
<b>Total Supply</b>	<b>36,825</b>	<b>36,825</b>	<b>40,784</b>	<b>40,784</b>	<b>47,384</b>	<b>47,482</b>
Exports	3,521	3,521	3,200	3,202	5,000	5,000
Use	24,300	24,300	20,000	20,000	24,300	23,600
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,300	24,300	20,000	20,000	24,300	23,600
Ending Stocks	9,004	9,004	17,584	17,582	18,084	18,882
<b>Total Distribution</b>	<b>36,825</b>	<b>36,825</b>	<b>40,784</b>	<b>40,784</b>	<b>47,384</b>	<b>47,482</b>
Stock to Use (b)	32%	32%	76%	76%	62%	66%
Yield (c)	446	446	479	479	475	473

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 28.9 million 480-lb. bales (37 million 170-kilogram bales/6.3 million metric tons) for marketing year (MY) 2020/21 on an area of 13.3 million hectares. Post's area estimate is the same as the official USDA estimate, while its production estimate is 100,000 480 lb. bales lower than the official USDA estimate. Post's average national yield is estimated at 473 kilograms per hectare, marginally (0.3 percent) lower than the official USDA estimate. Harvesting is underway in southern and eastern districts of Gujarat, where farmers have been advised to terminate the crop immediately after completion of cotton picking. Infested, unopened/poorly opened bolls on cotton plants must also be destroyed. Farmers have also been advised to remove and destroy cotton crop residues immediately after the last harvest to avoid carryover of pink bollworm into the next season.

### Government of India Lowers Crop Production in Second Advance Estimates

On February 24, the [second advance estimates of production](#) of principal crops for 2020-21 was published by the Ministry of Agriculture and Farmers Welfare's (MOAFW). As per the advance estimates, Indian cotton production has been lowered by two percent from first advance estimate to 28.5 million 480-lb. bales (36.5 million 170-kilogram bales/6.2 million metric tons) but is 13 percent higher than the five-year average.

### Minimum Support Price (MSP) Procurement

The Cotton Corporation of India (CCI) continues to procure seed cotton under the minimum support price (MSP) program for Indian marketing year (Oct/Sep) 2020/21. Procurement operations of seed cotton (Kapas) under MSP are underway smoothly in the states of Punjab, Haryana, Rajasthan, Madhya

Pradesh, Maharashtra, Gujarat, Telangana, Andhra Pradesh, Odisha, and Karnataka. According to a recent [press release](#), cotton procurement as of February 22, 2021 has crossed 7.2 million 480 lb. bales (9.2 million 170-kilogram bales/1.6 MMT), valued at US\$ 3.65 billion (INR 26,705 crores) benefitting 1.9 million farmers.

### **Arrivals and Stocks**

According to CCI, new crop arrivals as of February 24 are estimated at 22.6 million 480 lb. bales (28.9 million 170-kilogram bales /4.9 MMT). Current crop arrivals represent 78 percent of total estimated production for marketing year 2020/21. Trade sources indicate that unsold stocks with government agencies are estimated around 5.4 million 480-lb. bales (7 million 170-kilogram bales/1.2 MMT). Recently, mill and trade interest at CCI auctions has been strong as low domestic prices, in comparison to foreign origin supplies, make Indian fiber a very competitive option. While Indian ex-gin prices have risen by 23 percent since beginning of the Indian marketing year (Oct/Sep), there is a more than a 15-percent differential between Indian ex-gin prices and Cotlook-A Index.

### **Consumption**

Post estimates MY 2020/21 cotton consumption at 23.6 million 480 lb. bales. Post's estimate is 400,000 480 lb. bales lower than the official USDA estimate. Strong export demand for cotton yarn is supporting strong consumption. Sustained demand for international yarn and textile products from Indian spinning mills is supporting high prices. Cotton yarn prices have risen by more than 40 percent since the beginning of the Indian marketing year (Oct/Sep), aligned with a 36 percent rise in farmgate seed cotton prices. However, India's domestic market remains subdued as a large percentage of the population continues to work/stay at home. A recent surge in COVID-19 cases across various states is prompting states to impose stricter lockdown measures. Consequently, consumer sentiment remains cautious, and retail buying remains mostly limited to e-commerce channels.

For the month of December 2020, the quick estimates of the Index of Industrial Production (IIP), indicate that the textile manufacturing sector witnessed 7.2 percent negative growth in production volume compared to December 2019, highlighting ongoing contraction due to COVID-19. Cumulatively, Indian fiscal year 2020/21 (Apr/Dec) witnessed a 29.2 percent decline compared to 2019/20. The manufacturing of apparels is also down 20 percent as compared to last year, and 37.3 percent lower in 2020-21(Apr/Dec) as compared to 2019/20. For more details, please refer to [Quick Estimates of IIP December 2020](#).

### **Trade**

Post estimates MY 2020/21 exports at 5 million 480-lb. bales (6.4 million 170-kilogram bales/1 MMT). Post's estimate is the same as the official USDA estimate. Indian cotton prices remain very competitive compared to prices of competing countries. Since October 2020, Indian seed cotton, ex-gin and cotton yarn prices have risen by more than 35 percent due to strong export demand. According to FAS analysis, raw cotton shipments in January were 7 percent higher than previous month, and cumulatively (Aug/Jan) were 71 percent higher than last year. Shipments to Bangladesh were 53 percent of total exports. Other major export destinations include China (30 percent), Vietnam (9 percent), and Indonesia (7 percent). Almost 80 percent of the shipments (by volume) were exported from the ports in Maharashtra (JNPT) and Gujarat (Mundra). The surge in export shipments is fueled by lower production forecast of foreign origin cotton leading to higher prices coupled with renewed demand for textile products in developed markets.

Post estimates MY 2020/21 imports at 1 million 480-lb. bales (1.28 million 170-kilogram bales/218,000 MT). Post's estimate is 200,000 480 lb. bales higher than the official USDA estimate. Recently, the Government of India imposed a 10 percent duty on imported cotton. Local industry groups have raised concerns about this duty and have asked the government to reconsider it. The Government of India may reconsider these duties if it significantly impacts Indian textile exports. According to FAS analysis, January imports were 68 percent higher from the previous month, and 38 percent higher than last year, but cumulatively (Aug/Jan) imports are 80 percent below than same period last year.

## **Policy**

### **Government of India Announces 10 percent Import Duty on Cotton**

On February 1, 2021, the Government of India (GOI) announced imposition of a ten percent duty on imported cotton, effective February 2, 2021. The duty is comprised of a five percent basic customs duty and a five percent Agriculture Infrastructure and Development Cess (AIDC). The GOI has also imposed a ten percent duty on imported cotton waste.

Industry has urged the national government to withdraw the duty. The Indian textile sector fears that these duties will add costs for textile exporters who use imported cotton for yarn, apparels, and home textile products. Industry sources indicate that there is no provision to refund the AIDC.

According to local trade contacts, the new tariff is expected to negatively impact Indian textile exports as 90-95 percent of imported cotton is re-exported. The basic custom duty of five percent will likely not impact textile exporters because cotton that is imported for further processing and re-export can be brought in duty-free, through the advance authorization scheme that allows the duty-free import of inputs that are transformed into an exported product.

Industry's major concern is the imposition of the five percent AIDC on raw cotton. It is unclear whether cotton imports will be exempted from the new cess. If not, textile exporters stand to lose a duty drawback of 1.6-3 percent for yarns, fabrics, made-ups and apparels. This duty drawback is an important export incentive scheme aimed at boosting the textile sector's competitiveness and exports. The imposition of the cess is expected put additional pressure on an industry operating on thin margins. It may also reduce India's textile market share in the long term, as international retailers may consider alternative suppliers such as Pakistan, Vietnam, and Bangladesh for cheaper suppliers.

### **Government of India Issues Notification on Recommended Seed Varieties**

On January 29, the Ministry of Agriculture and Farmers Welfare (MOAFW) published a notification recommending state specific seed varieties for major crops including cotton. As per the notification, the government considers it is necessary and expedient to regulate the quality of the seeds, and the listed varieties of seeds shall be the notified and sold for purpose of agriculture in states. For more details, please refer the MOAFW [Notification](#).

### **Seven Mega Textile Parks to be Established Within Three Years**

The recent 2021-22 budget announced the launch of a Mega Integrated Textile Regions and Parks scheme (MITRA) to attract large investment and employment generation in the sector to further boost domestic manufacturing and infrastructure. It will enable the textile industry to achieve size and scale

that will allow it to become more globally competitive. Under the scheme, seven mega textile parks will be established over three years. According to the Ministry of Textiles, the Indian textile sector is the sixth largest exporter of textiles and apparels in the world. The share of India's textiles and apparel exports in mercantile exports is 11 percent for the year 2019-20.

**Production Linked Incentive (PLI) Scheme for Man-Made Fibers and Technical Textiles**

The GOI also announced the inclusion of man-made fibers (MMF) and technical textiles under PLI scheme that has been established to create “global champions” in MMF apparel and technical textiles and capturing substantial share in global trade of these products. The scheme will provide an incentive of 3 to 15 percent on stipulated incremental turnover for a period of five years after one year incubation period for brownfield investments, and two years incubation period for greenfield investments.

**Table 1. India: State Monthly Wholesale Prices for Seed Cotton in February 2020\*\***  
(Prices in Indian Rupees per 100 kilograms)

State	Prices, February 2021**	Prices, January, 2021	Prices, February, 2020	Change (Over Previous Month)	Change (Over Previous Year)
Gujarat	5,455	5,319	5,114	3%	7%
Haryana	-	-	5,241	0%	0%
Karnataka	5,531	5,370	5,160	3%	7%
Madhya Pradesh	5,426	5,263	5,554	3%	-2%
Maharashtra	5,593	5,584	5,254	0%	6%
Odisha	5,654	5,682	5,316	0%	6%
Punjab	5,590	5,484	5,270	2%	6%
Rajasthan	5,690	5,465	5,328	4%	7%
Tamil Nadu	5,758	5,242	4,649	10%	24%
Telangana	5,515	5,475	5,252	1%	5%
<b>Average</b>	<b>5,579</b>	<b>5,432</b>	<b>5,234</b>	<b>3%</b>	<b>7%</b>

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

\*\*Prices reported for the period from February 01-28, 2021

**Table 2. India: State Seed Cotton Arrivals in Market Yards in February 2020\*\* (in metric tons)**

State	Market Arrivals February, 2021	Market Arrivals February, 2020	Change (Over Previous Year)
Andhra Pradesh	4,170.10	5,542.70	-25%
Gujarat	121,504.48	87,019.63	40%
Haryana	3,669.00	21,379.00	-83%
Karnataka	8,465.00	26,453.00	-68%
Madhya Pradesh	41,406.60	117,633.29	-65%
Maharashtra	47,158.00	148,904.00	-68%
Odisha	1,754.20	4,285.46	-59%
Punjab	15,308.20	10,596.10	44%
Rajasthan	27,232.50	64,190.65	-58%
Tamil Nadu	134.38	2,101.11	-94%
Telangana	18,358.32	128,754.31	-86%
<b>Total</b>	<b>289,160.78</b>	<b>616,859.25</b>	<b>-53%</b>

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

\*\*Arrivals reported for the period from January 01-23, 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\	74,995	12,749	58,557
October Exports 1\	115,015	19,552	89,804
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\	158,009	26,861	123,374
June Exports 1\	381,766	64,900	298,085
July Exports 1\	436,861	74,266	341,103
<b>Total</b>	<b>4,100,343</b>	<b>697,058</b>	<b>3,201,563</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\	339,733	57,755	265,264
September Exports 1\	448,626	76,266	350,289
October Exports 1\	529,193	89,963	413,196
November Exports 1\	782,566	133,036	611,030
December Exports 2\	770,588	131,000	601,678
January Exports 2\	823,529	140,000	643,015
<b>Preliminary Total (Aug-Jan)</b>	<b>3,694,234</b>	<b>628,020</b>	<b>2,884,472</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>Total</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 1\	62,071	10,552	48,466
November Imports 1\	42,453	7,217	33,147
December Imports 2\	81,547	13,863	63,672
January Imports 2\	137,312	23,343	107,214
<b>Preliminary Total (Aug-Jan)</b>	<b>472,467</b>	<b>80,319</b>	<b>368,904</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	86
Nov	125	105	103	111	95	89	87
Dec	125	115	129	116	92	91	94**
Jan	113	104	132	87	91	102	85**
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

\*\*Provisional data estimate

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	146,826
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	160,525
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	154,068	
<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>1,489,140</b>	

\*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

**Attachments:**

No Attachments.