

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Cotton and Products Update - January 2020

**Country:** India

**Post:** Mumbai

**Report Category:** Cotton and Products

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**Report Highlights:**

Indian MY 2019/20 cotton arrivals have picked up pace, but ex-gin prices continue to remain below the minimum support price. Cotton production for MY 2019/20 is estimated at 29.3 million 480 lb. with a planting area of 13 million hectares. Domestic consumption is estimated at 24. 6 million 480 lb. bales with an expected recovery in cotton yarn and apparel markets as Indian prices trade much lower than the Cotlook A-Index.

### Production, Supply and Demand Data Statistics:

<b>Cotton</b>	<b>2017/2018</b>		<b>2018/2019</b>		<b>2019/2020</b>	
<b>Market Begin Year</b>	<b>Aug 2017</b>		<b>Aug 2018</b>		<b>Aug 2019</b>	
<b>India</b>	<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>	12,600	12,600	12,600	12,600	13,000	13,000
<b>Beginning Stocks</b>	7,880	7,880	9,225	9,047	9,314	9,136
<b>Production</b>	29,000	29,000	25,800	25,800	29,500	29,300
<b>Imports</b>	1,677	1,677	1,800	1,800	2,200	2,000
<b>MY U.S. Imports</b>	-	-	-	-	-	-
<b>Total Supply</b>	38,557	38,557	36,825	36,647	41,014	40,436
<b>Exports</b>	5,182	5,200	3,511	3,511	3,800	4,000
<b>Use</b>	24,150	24,310	24,000	24,000	24,500	24,600
<b>Loss</b>	-	-	-	-	-	-
<b>Total Dom. Cons.</b>	24,150	24,310	24,000	24,000	24,500	24,600
<b>Ending Stocks</b>	9,225	9,047	9,314	9,136	12,714	11,836
<b>Total Distribution</b>	38,557	38,557	36,825	36,647	41,014	40,436
<b>Stock to Use (b)</b>	31	31	34	33	45	41
<b>Yield (c)</b>	501	501	446	446	494	491

Figures in Thousand 480-lb Bales,  
Except Where Indicated: (a) Thousand Hectares, (b) Percent, (c) Kilograms/Hectares

### Area and Production

Post estimates marketing year (MY) 2019/20 cotton production at 29.3 million 480 lb. bales (37.5 million 170-kilogram bales/6.4 MMT) with a planting area of 13 million hectares. Post's MY 2019/20 production estimate is 200,000 480 lb. bales lower than the official USDA estimate. Post has factored in the expected impact of pink bollworm infestation across Gujarat, Telangana, and Andhra Pradesh, that will likely impact yields.

### Arrivals

On January 24, 2020, the Cotton Corporation of India (CCI) reported new crop MY 2019/20 cotton arrivals at 13.4 million 480-lb. bales (17.2 million 170-kilogram bales/2.9 MMT). Cotton arrivals so far represent forty eight percent of the total cotton production estimate. The pace of arrivals has picked up in the last few weeks and is higher than last year. As of January 24, CCI has procured 3.6 million 480 lb. bales (4.6 million 170 kg bales/782,000 MT) in MY 2019/20 under the minimum support price operations. CCI continues to hold almost 700,000 480-lb bales (900,000 170-kg bales) of unsold stock from MY 2018/19.

Trade sources in the textile sector indicate that the rise in seed cotton prices is limiting their purchase of cotton, which is in part driven by CCI procurement under MSP operations. However, if CCI would begin offloading the unsold stocks at reasonable prices, mill purchases are expected to increase. Currently, the prices quoted by CCI are much higher than market prices. The strong pace of arrivals is also reflected in cotton seed prices that have fallen by four percent from last month, and by twelve percent since beginning of Indian marketing year 2019/20 (Oct/Sep).

## **Consumption**

Post estimates MY 2019/20 cotton consumption at 24.6 million 480-lb. bales (31.5 million 170-kilogram bales/ 5.4 MMT), 100,000 480-lb. bales higher than the official USDA estimate. Post's estimate of 24.6 million 480 lb. bales is five percent lower than the consumption estimates of local traders and the Cotton Advisory Board (adjusted for marketing year). Indian seed cotton prices have recovered slightly and increased by 2.4 percent since December 2019 (refer table 1) but remain below the minimum support price (MSP). Similarly, cotton yarn prices have risen by seven percent since last month due to increased demand supported by low raw cotton prices improving the margin for spinners.

While the recent recovery in cotton yarn market is a positive sign in the short-term, the industry continues to face several issues including slower economic growth affecting long-term fiber demand, tight credit policy affecting working capital for spinners, and low polyester prices directly competing with raw cotton. In addition, the Goods and Services Tax (GST) on man-made fibers (MMF) and MMF textiles are higher as compared to cotton. While GST on cotton is uniform at five percent across its entire value chain, the rates on MMF textiles is 18 percent, 12 percent and 5 percent on fiber, filament/spun yarn and fabrics respectively. As such, the GST rate on MMF products is higher as compared to cotton textiles. Post expects domestic mills will increasingly focus on manufacturing cotton products and cotton blended products during the remainder of the season.

## **Trade**

Post estimates MY 2019/20 exports at 4 million 480-lb bales (5.1 million 170-kilogram bales/870,000 MT), 200,000 480-lb. bales higher than the official USDA estimate. Indian ex-gin prices are 7-8 cents cheaper than Cotlook -Index thereby making Indian cotton very competitive. Export shipments of raw cotton during the first four months (Aug-Oct) of MY 2019/20 are 50 percent lower than same period last year. However, the month on month shipments significantly increased as new crop arrivals were shipped primarily to Bangladesh, and small volumes to China and Indonesia. This is the second straight month of increasing cotton exports indicating signs of revival. Similarly, cotton yarn exports for first four months of MY 2019/20 are 24 percent lower than last year, but the month on month shipments increased by 16 percent as demand for yarn remains firm with major export markets being China and Bangladesh followed by Egypt.

Post estimates MY 2019/20 imports at 2 million 480 lb. bales (2.6 million 170-kilogram bales / 436,000 MT), 200,000 480 lb. bales lower than USDA's official estimate. The pace of imports has slowed down as new crop arrivals have picked up. Imports continue to be led by shipments from the United States, but there has been a steady increase in imports from Brazil. Local contacts report that prospects may improve for Indian cotton exports to China thanks to the recently struck phase one trade deal between the United States and China.

## **Policy**

On January 14, 2020, the Ministry of Textiles issued a notification providing a one-time additional ad-hoc incentive of up to one percent of FOB value for exports of Made-ups and Apparels. The incentive is provided to offset the difference between two separate incentive schemes - scheme for Rebate of State and Central Embedded Taxes and Levies (referred to as RoSCTL) and Scheme for Rebate of State Levies on Export of Garments and Made-ups (referred to as the RoSL Scheme) plus Merchandise

Exports from India Scheme (MEIS). As per the notification, the claims already paid under MEIS (which was withdrawn on March 7, 2019) would be adjusted against the new incentive. Trade sources indicate the retrospective adjustment would impact the margins for exporters whose export orders had been confirmed with the incentive schemes benefits factored in as part of the total cost.

**MINISTRY OF TEXTILES**

**NOTIFICATION**

New-Delhi, the 14<sup>th</sup> January 2020

**Subject: Additional Ad-Hoc Incentive to Apparel and Made-ups – reg**

**F. No. 14/26/2016-IT/VOI. II.**—In pursuance of the decision of Cabinet to rebate all embedded State and Central Taxes and Levies on apparel and made-ups, the Ministry of Textiles notified the scheme for Rebate of State and Central Taxes and Levies (RoSCTL) vide notification No. 14/26/2016-IT (Vol.II) dated 07.03.2019 and vide notification No. 14/26/2016-IT (Vol.II) dated 08.03.2019, notified the rates under the RoSCTL scheme.

2. It is further notified that, as decided by the Expenditure Finance Committee (EFC) in its meeting on 30.12.2019, a special one-time additional ad-hoc incentive of upto 1% of FoB value will be provided for exports of apparel and made-ups to offset the difference between RoSCTL and RoSL + MEIS@4%, from 7.3.2019 to 31.12.2019.

3. Recommendations of the EFC are as follows:—

- a) The additional incentive under the scheme would be as per claims from the exporters and the total ad-hoc incentive would not exceed Rs. 600 crore for the period mentioned above.
- b) Under the scheme, incentive of upto 1% of FOB value for each line in a shipping bill will be provided for those exports of apparel and made-ups which may receive lesser benefits under RoSCTL as against RoSL+ MEIS.
- c) MEIS stands withdrawn from 07.03.2019 (for Chapters 61, 62 and 63). Department of Commerce may take necessary measures accordingly. Claims already paid to the exporters under MEIS will be suitably adjusted against RoSCTL and recoveries made wherever due.
- d) Steps will be taken for the validation of claims by DGFT and DoR for correct disbursement of benefits.
- e) The ad-hoc incentive would be implemented in the form of scrips for which an outlay would need to be provided by Department of Revenue.

ADITI DAS ROUT, Trade Advisor

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

State	Prices January, 2020	Prices December, 2019	Prices January, 2019	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	4,960	5,432	-	-
Gujarat	5,131	4,831	5,231	6.2%	-1.9%
Haryana	5,232	5,303	5,469	-1.3%	-4.3%
Karnataka	5,155	5,123	5,519	0.6%	-6.6%
Madhya Pradesh	5,613	5,311	5,440	5.7%	3.2%
Maharashtra	5,259	5,240	5,445	0.4%	-3.4%
Odisha	5,308	5,325	5,348	-0.3%	-0.7%
Punjab	5,274	5,235	5,451	0.7%	-3.3%
Rajasthan	5,305	5,196	5,497	2.1%	-3.5%
Tamil Nadu	4,534	4,356	5,250	4.1%	-13.6%
Telangana	5,354	5,257	5,314	1.9%	0.8%
Uttar Pradesh	5,435	5,254	4,900	3.5%	10.9%
<b>Average</b>	<b>5,237</b>	<b>5,116</b>	<b>5,358</b>	<b>2.4%</b>	<b>-2.3%</b>

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

**Table 2a. 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 1\	228,609	38,863	178,499
November Exports 1\	653,622	111,116	510,351
December Exports 1\	901,197	153,204	703,658
January Exports 1\	689,854	117,275	538,640
February Exports 1\	546,924	92,977	427,040
March Exports 1\	703,311	119,563	549,148
April Exports 1\	209,078	35,543	163,249
May Exports 1\	136,122	23,141	106,285
June Exports 1\	60,056	10,209	46,892
July Exports 1\	79,969	13,595	62,440
<b>Total</b>	<b>4,497,201</b>	<b>764,524</b>	<b>3,511,432</b>

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

**Table 2b. India: Estimate of 2019/20 Cotton Exports**

	<b>170 kg</b>	<b>Metric Tons</b>	<b>480 lb.</b>
August Exports 1\	75,378	12,814	58,855
September Exports 1\	70,696	12,018	55,200
October Exports 1\	109,627	18,637	85,597
November Exports 1\	334,330	56,836	261,046
<b>Preliminary Total (Aug-Nov)</b>	<b>590,031</b>	<b>100,305</b>	<b>460,698</b>

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

**Table 3a. 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 3b. 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
<b>Preliminary Total (Aug-Nov)</b>	<b>2,101,126</b>	<b>357,192</b>	<b>1,640,568</b>

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

**Table 4: India's Cotton Yarn\* Exports by Month**  
(Figures in thousand Metric Tons)

Month/Year	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19	2019/20
Aug	113	94	117	66	79	108	67
Sep	108	98	112	77	99	98	66
Oct	119	101	106	76	98	97	78
Nov	106	125	105	103	111	95	91
Dec	113	125	115	129	116	92	
Jan	131	113	104	132	87	91	
Feb	108	119	100	103	95	100	
Mar	117	122	112	89	118	117	
Apr	94	104	105	66	106	89	
May	93	99	94	65	109	76	
Jun	76	103	92	78	117	58	
Jul	87	118	75	71	101	59	
<b>TOTAL</b>	<b>1,266</b>	<b>1,321</b>	<b>1,237</b>	<b>1,055</b>	<b>1,236</b>	<b>1,081</b>	

\*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

**Table 5: India's Cotton Fabric\* Exports by Month**  
(Figures in thousand square meters)

Month/Year	2013-14	2014/15	2015/16	2016-17	2017/18	2018/19	2019/20
Aug	78,908	92,491	101,473	114,071	107,497	147,673	150,762
Sep	101,017	98,636	103,974	104,661	123,688	126,498	139,246
Oct	101,327	108,182	117,801	105,404	109,769	142,260	146,122
Nov	85,897	103,471	95,082	87,723	118,256	119,215	126,088
Dec	100,335	105,335	120,598	111,927	132,635	132,049	
Jan	91,169	93,192	116,656	107,512	125,493	136,899	
Feb	87,377	96,586	107,487	115,131	113,399	135,495	
Mar	98,696	105,169	120,461	112,033	133,927	162,676	
Apr	88,629	86,833	109,559	94,314	114,876	126,031	
May	81,581	103,443	103,401	89,070	119,821	141,129	
Jun	94,572	103,909	97,017	93,372	122,381	131,507	
Jul	87,284	97,115	98,890	94,360	113,614	140,700	
<b>TOTAL</b>	<b>1,095,904</b>	<b>1,194,361</b>	<b>1,292,397</b>	<b>1,229,577</b>	<b>1,435,355</b>	<b>1,642,134</b>	

\*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

**Attachments:**

No Attachments.