

**Voluntary Report** – Voluntary - Public Distribution

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

**Country:** India

**Post:** Mumbai

**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 13.3 million hectares. Cotton prices have improved due to strong export demand for raw cotton and cotton yarn. Farmers continue to deliver their crop to the government's procurement scheme under the minimum support price program (MSP) as prevailing seed cotton market prices remain below MSP levels. Mill consumption has improved steadily but remains constrained at 23 million 480-lb. bales due to subdued demand in the domestic market.

**Production, Supply and Demand Data Statistics:**

<b>Cotton</b>	<b>2018/2019</b>		<b>2019/2020</b>		<b>2020/2021</b>	
<b>Market Begin Year</b>	<b>Aug 2018</b>		<b>Aug 2019</b>		<b>Aug 2020</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	13,300	13,400	13,400	13,300
<b>Beginning Stocks</b>	9,225	9,225	9,304	9,304	17,884	17,882
<b>Production</b>	25,800	25,800	29,500	29,500	29,500	29,300
<b>Imports</b>	1,800	1,800	2,280	2,280	1,000	1,000
<b>MY U.S. Imports</b>	-	-	-	-	-	-
<b>Total Supply</b>	36,825	36,825	41,084	41,084	48,384	48,182
<b>Exports</b>	3,521	3,521	3,200	3,202	5,000	4,800
<b>Use</b>	24,000	24,000	20,000	20,000	24,000	23,000
<b>Loss</b>	-	-	-	-	-	-
<b>Total Dom. Cons.</b>	24,000	24,000	20,000	20,000	24,000	23,000
<b>Ending Stocks</b>	9,304	9,304	17,884	17,882	19,384	20,382
<b>Total Distribution</b>	36,825	36,825	41,084	41,084	48,384	48,182
<b>Stock to Use (b)</b>	34	34	77	77	67	73
<b>Yield (c)</b>	446	446	483	479	479	480

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 13.3 million hectares. Post's area estimate is 100,000 hectares lower than the official USDA estimate. Post has revised the area based on discussions with officials and contacts that signal an increase in cotton area since the first advance area estimates were published by the Ministry of Agriculture and Farmers Welfare's (MOAFW) on October 1, 2020. Post's production estimate is 200,000 480 lb. bales lower than official USDA estimate. The impact of late excess rains and the increasing incidence of pest infestation will likely impact the yields. Accordingly, Post's yield estimate has been adjusted which is on par with the official USDA estimate at 480 kilograms per hectare. Local trade sources are estimating the MY 2020/21 crop at a lower level around 27-29 million 480 lb. bales based on the impact of excess rains in Gujarat and Telangana, and pest infestation in Maharashtra.

According to the Indian Meteorological Department (IMD), harvesting is underway in central and southern cotton growing states. In South Gujarat, which is four percent of total planted cotton area in the state, the late sown crop is at vegetative/boll formation stage, and farmers have been advised to follow integrated pest management practices for pink bollworm and sucking pest. Farmers have also been advised to continue picking the crop regularly under fair weather conditions and allow animals to graze on cotton fields after the last picking to prevent infestation. In Andhra Pradesh, farmers have been advised to avoid cotton picking during morning under fog which can reduce the quality of seed cotton. This is managed through shade drying of the harvested seed cotton in the field then bagging. While

harvesting, farmers are being advised to take care regarding the mixing of dried squares and leaves with seed cotton, which can lead to dusky cotton bug attack. thereby reducing the crop quality.

Post has also revised MY 2019/20 area to 13.4 million hectares same as the fourth advance area estimates published by MOAFW. Accordingly, MY 2019/20 production has been revised to 29.5 million 480-lb. bales (37.8 million 170-kilogram bales/6.4 million metric tons) same as the official USDA estimate.

### **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 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 MOAFW, cotton procurement as of December 25, 2020 has reached 5.26 million 480-lb. bales (6.73 million 170-kilogram bales/1.14 MMT), valued at US\$ 2.66 billion (INR 19,698 crore). Sources indicate that the cotton MSP procurement target is expected to be US\$ 4.72 billion (INR 35,000 crores), however due to poor quality (shorter staple length) of the crop affected by rains and pest infestation, government agencies may limit buying.

### **Pace of Cotton Market Arrivals Remains High**

According to CCI, new crop arrivals as of December 28 are estimated around 11.8 million 480-lb. bales (15.1 million 170-kilogram bales/2.6 MMT). Based on historical CCI arrival data, the pace of arrivals remains quite brisk, however, trade sources indicate that overall arrivals might be 30-60 percent higher than reported. Farmers across India continue to deliver cotton to CCI for sale under the MSP program as private traders are limiting their purchases due to quality issues. However, farm gate prices in states such as Gujarat, Andhra Pradesh and Rajasthan have risen above MSP rates recently due to strong mill demand,

### **Stocks**

Trade sources estimate unsold stocks held by government agencies and private traders at 9.4 million 480-lb bales (12 million 170-kilogram bales/2 MMT). Trade sources indicate the stocks being held from MY 2019/20 season by government agencies (estimated at 3-4 million 170-kilogram bales) are of much higher quality than new crop arrivals. As such, mills are preferring the old crop; however, the sale prices being offered are much higher than the new crop so private traders/mills are limiting new crop purchases, while government agencies are looking to swiftly offload the new crop. Farm gate seed cotton prices have risen by 21 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.

### **Consumption**

Post estimates MY 2020/21 cotton consumption at 23 million 480-lb bales (29.5 million 170-kilogram bales/5 MMT). Post's estimate is 1 million 480 lb. bales lower than the official USDA estimate. While the demand for cotton yarn and cotton fabric is being driven by strong export orders, the domestic market continues to remain subdued as the general public continue to work/stay at home, and lockdown measures limit consumer footfall, slowing down demand recovery. Consumers continue to be cautious and limit additional purchases as disposable incomes have been negatively affected. Similarly, cash

flow is still stressed across the supply chain and producers are operating hand-to-mouth. A return to pre-COVID consumer demand levels may not occur until the second quarter of 2021.

For the month of October 2020, the quick estimates of the Index of Industrial Production (IIP), indicate that the textile manufacturing sector witnessed 7.7 percent negative growth in production volume compared to October 2019, highlighting ongoing contraction due to COVID-19. Cumulatively, Indian fiscal year 2020/21 (Apr/Oct) witnessed a 36 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 for past two months indicating growth. For more details please refer to [Quick Estimates of IIP October 2020](#).

## **Trade**

Post estimates MY 2020/21 exports at 4.8 million 480-lb. bales (6.1 million 170-kilogram bales/1 MMT). Post's estimate is 200,000 480-lb. bales lower than the official USDA estimate. Similar to the previous month, raw cotton shipments seem to be increasing, however 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 13 percent, slower than Cotlook A-Index prices which increased by 16 percent, much higher than pre-COVID price levels. The contraction in global demand is intensifying global competition, and Indian cotton, although discounted, may face increased competition from Brazil and Australia based on quality parameters. According to FAS analysis, raw cotton shipments in November were 53 percent higher than the previous month. China (56 percent), Bangladesh (27 percent), and Vietnam (12 percent) were the top export destinations. The demand for value-based cotton textiles is driving the demand for Indian cotton exports.

Indian cotton yarn prices have also risen by 20 percent since October, driven by higher yarn demand mostly from China, Bangladesh, Peru, Portugal, and Vietnam. Preliminary trade estimates published by the Ministry of Commerce indicate that cotton yarn shipments (by volume) in November were four percent higher than the previous month, however the shipments were one percent lower on a year over year basis. Cumulatively, in MY 2020/21, between August and November, cotton yarn shipments were 20 percent higher than same period last year. Exports of cotton fabric are showing growth, as exports in November are three percent higher than previous month, and ten percent higher on a year over year basis. Cumulatively, in MY 2020/21 between August to November, cotton fabric shipments are six 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 nine percent higher (by value) in November 2020 as compared to the same period last year. However, the cumulative value of exports between April-November is lower by 13 percent, compared to same period last year. Similarly, exports of readymade garments of all textiles is one percent lower in November compared to the same month last year, and the cumulative value of exports during April – November fell by 30 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 11 percent in November compared to the same month last year, and 30 percent from April-November 2020.

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 the same as official USDA estimate. Post analysis indicates that November

imports fell by more than nine percent from the previous month. In November, top cotton suppliers were the United States (44 percent), Egypt (37 percent), and Australia (7 percent). Imports continue to remain slow due to availability of a large domestic crop, coupled with limited buying from mills. Post analysis indicates that almost 60 percent of total imports were shipped to ports in Southern India.

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

State	Prices, December, 2020**	Prices, November, 2020	Prices, December, 2019	Change (Over Previous Month)	Change (Over Previous Year)
Andhra Pradesh	-	-	4,960	-	-
Gujarat	5,311	5,308	4,831	0%	10%
Haryana	-	5,150	5,303	-	-
Karnataka	5,364	5,037	5,123	6%	5%
Madhya Pradesh	5,259	5,097	5,311	3%	-1%
Maharashtra	5,587	5,485	5,240	2%	7%
Odisha	5,691	5,724	5,325	-1%	7%
Punjab	5,493	5,583	5,235	-2%	5%
Rajasthan	5,475	5,422	5,196	1%	5%
Tamil Nadu	5,266	4,594	4,356	15%	21%
Telangana	5,474	5,477	5,257	0%	4%
Uttar Pradesh	-	5,874	5,254	-	-
<b>Average</b>	<b>5,436</b>	<b>5,341</b>	<b>5,116</b>	<b>2%</b>	<b>6%</b>

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

\*\*Prices reported for the period from December 01-28, 2020

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

State	Market Arrivals December, 2020	Market Arrivals December, 2019	Change (Over Previous Year)
Andhra Pradesh	8,856	14,975	-40.9%
Gujarat	165,484	231,066	-28.4%
Haryana	13,030	97,095	-86.6%
Karnataka	22,434	65,892	-66.0%
Madhya Pradesh	76,924	119,779	-35.8%
Maharashtra	173,652	182,089	-4.6%
Odisha	18,940	9,021	110.0%
Punjab	37,464	41,415	-9.5%
Rajasthan	81,035	217,273	-62.7%
Tamil Nadu	94	194	-51.6%
Telangana	114,983	239,105	-51.9%
Uttar Pradesh	-	145	-
<b>Total</b>	<b>712,896</b>	<b>1,218,049</b>	<b>-41.5%</b>

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

\*\*Arrivals reported for the period from December 01-28, 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 2\	811,765	138,000	633,829
<b>Preliminary Total (Aug-Nov)</b>	<b>2,129,316</b>	<b>361,984</b>	<b>1,662,578</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 2\	56,388	9,586	44,028
<b>Preliminary Total (Aug-Nov)</b>	<b>267,543</b>	<b>45,482</b>	<b>208,899</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	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

\*\*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.