

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Cotton and Products Update - July 2021

**Country:** India

**Post:** Mumbai

**Report Category:** Cotton and Products, Cotton and Products, Agricultural Situation, Agriculture in the Economy, Agriculture in the News, SP1 - Expand International Marketing Opportunities

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**Report Highlights:**

FAS Mumbai (Post) forecasts market year (MY) 2021/2022 cotton production at 29 million (480 lb.) bales on an area of 12.9 million hectares. Kharif cotton planting is now underway in central and southern India as the two-week monsoon delay has been followed by intense rains across the major cotton producing states. With market arrivals slowing, seed cotton prices are rising. Mill consumption is good at 25.5 million (480 lb.) bales buoyed by strong export orders, and the recent government announcement of a three-year extension of the Rebate of State and Central taxes and Levies (ROSCTL) scheme for the export of apparel/garments and made-ups.

## COMMODITIES:

### COTTON

#### India: Commodity, Cotton - Production, Supply and Demand Data Statistics

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	-	-	-	-	-	-
Area Harvested (1000 HA) (a)	13,500	13,400	13,000	13,000	13,000	12,900
Beginning Stocks 1000 (480 lb.) Bales	9,004	9,004	16,884	16,882	15,884	15,732
Production 1000 (480 lb.) Bales	28,800	28,800	28,300	28,300	29,000	29,000
Imports 1000 (480 lb.) Bales	2,280	2,280	800	850	1,000	1,000
MY Imports from U.S. 1000 (480 lb.) Bales	-	-	-	-	-	-
Total Supply 1000 (480 lb.) Bales	<b>40,084</b>	<b>40,084</b>	<b>45,984</b>	<b>46,032</b>	<b>45,884</b>	<b>45,732</b>
Exports 1000 (480 lb.) Bales	3,200	3,202	6,100	6,300	6,000	6,200
Use 1000 (480 lb.) Bales	20,000	20,000	24,000	24,000	25,500	25,500
Loss 1000 (480 lb.) Bales	-	-	-	-	-	-
Total Dom. Cons. 1000 (480 lb.) Bales	20,000	20,000	24,000	24,000	25,500	25,500
Ending Stocks 1000 (480 lb.) Bales	16,884	16,882	15,884	15,732	14,384	14,032
Total Distribution 1000 (480 lb.) Bales	<b>40,084</b>	<b>40,084</b>	<b>45,984</b>	<b>46,032</b>	<b>45,884</b>	<b>45,732</b>
Stock to Use % (PERCENT) (b)	73	73	53	52	46	44
Yield (KG/HA) (c)	464	468	474	474	486	489

Figures in Thousand 480-lb bales, except where indicated: (a) thousand hectares, (b) percent, (c) kilograms/hectares

### PRODUCTION

**Area and Production:** FAS Mumbai (Post) forecasts market year (MY) 2021/2022 (August-July) cotton production at 29 million (480 lb.) bales (37.1 million 170-kilogram bales/6.4 million metric tons), unchanged from the U.S. Department of Agriculture (USDA) official figure. Area harvested at 12.9 million hectares, however, is one percent lower than the USDA official number. India's average yield is about 489 kilograms per hectare, one percent higher than the USDA official forecast number.

According to the [July 23, 2021, Ministry of Agriculture and Farmers Welfare's \(MOAFW\) report](#), India's total cotton plantings for the 2021 *kharif* season has reached 10.89 million hectares, eight percent lower than last year but still 10 percent higher than the five-year area average. The ministry's report indicates that the pace of sowing in all the Indian cotton production states is slower than last year, except for that occurring in the states of Karnataka, Telangana, and Odisha.

Cotton area in Gujarat state is making way for increased plantings of lentils and soybeans. Similarly, Maharashtra state is seeing expanded plantings of soybeans, sugar, and pulses (especially urad/black gram). In Karnataka and Odisha cotton planting, however, is displacing paddy rice acreage.

**The 2021 Southwest Monsoons Delayed Arrival:** The [India Meteorological Department](#) (IMD) reports that the 2021 southwest monsoon covered the entirety of the Indian subcontinent by July 13, 2021. However, this season's monsoons rains arrived two-three weeks late – commencing only between late June and mid-July. The rains' delayed arrival prompted farmers to suspend sowing.

**Here Comes the Rain:** With the monsoon now kicking off with downpours in central and southern India, the water deficit is easing, facilitating crop sowing. The India Meteorological Department is recording high rainfall volumes in the states of Maharashtra (16 out of 36 districts), Karnataka (20 out of 30 districts), and Telangana (in all 33 districts). Active monsoon conditions will prevail into August.

In Maharashtra state’s central and eastern districts, the cotton crop is in its vegetative stage. The northern parts of the state, the cotton crop is in its vegetative/first squaring stage. The government is advising farmers to drain fields of excess water and to monitor for pink bollworm infestation.

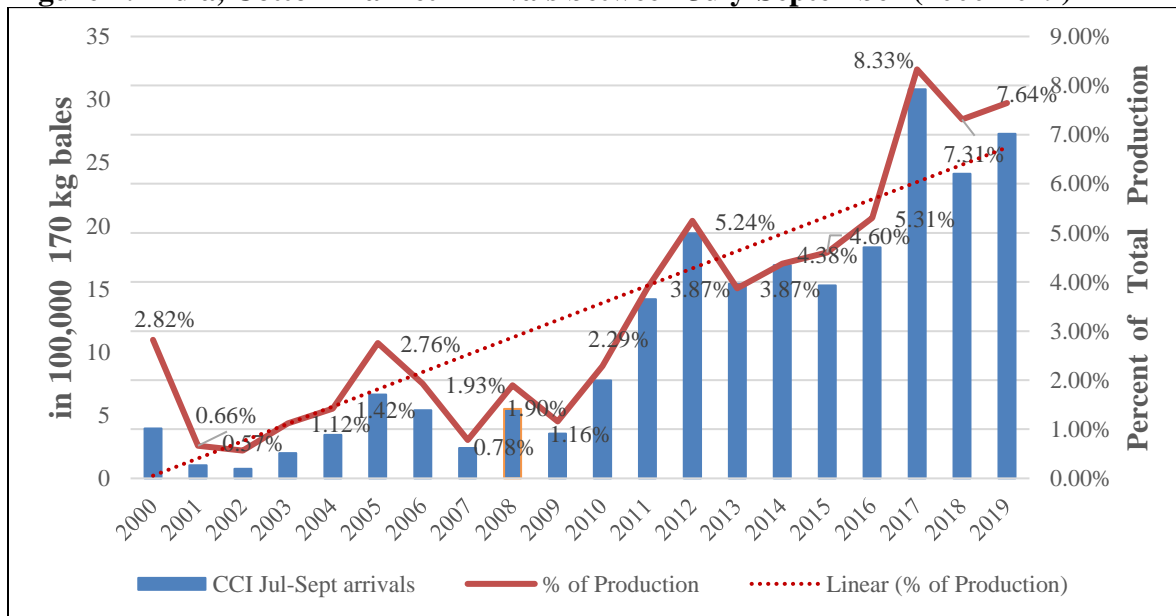
With heavy showers on the move, Karnataka (in interior, northern areas) farmers are being advised to commence sowing their *kharif* season cotton crop. The government is directing farmers to drain excess standing water from fields, as well as postpone the application of fertilizers and weedicides in flooded fields. Farmers are being told also to increase the intercropping of cotton with corn (maize).

In Gujarat, where the crop is in its vegetative stage, the government recommends that farmers control for sucking pest in Bt (*Bacillus thuringiensis*) cotton plantings. Farmers are advised to intercrop cotton with groundnut, sesame, and/or green gram for improved risk management and to prevent crop losses.

In Telangana heavy rains and weather conditions are improving for square and flower dropping, in addition to wilting. Farmers are being advised to use plant growth regulators and fungicides. While in Andhra Pradesh, with cotton sowing underway in various districts, farmers are being instructed to double crop green/black gram with cotton in a 2:1 ratio and/or with red gram and cotton in a 6:1 ratio.

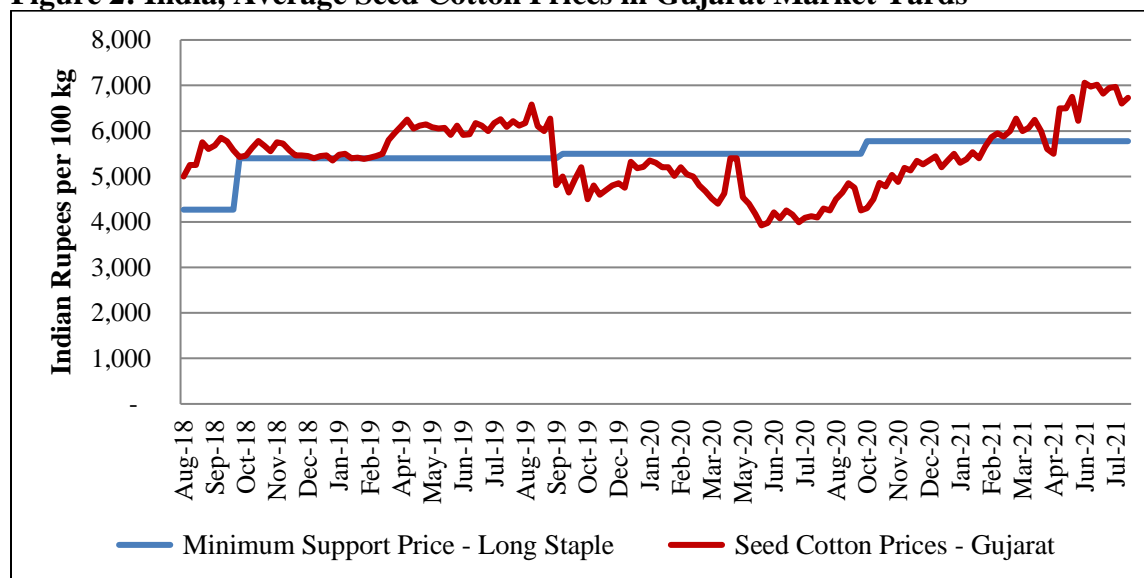
In India’s northern states of Punjab and Rajasthan, the cotton crop is in its flowering/vegetative stage. Farmers are being advised to keep cotton fields free from weeds. They are told to monitor for whitefly infestation, since conditions are favorable for whitefly as well as for green teal and thrips infestation.

**Figure 1: India, Cotton Market Arrivals between July-September (2000-2019)**



Source: Cotton Corporation of India, Ministry of Textiles, Cotton Advisory Board, Ministry of Textiles, FAS Mumbai office research.

**Figure 2: India, Average Seed Cotton Prices in Gujarat Market Yards**



Source: Directorate of Marketing and Inspection, Ministry of Agriculture and Farmers Welfare, FAS Mumbai office research.

## CONSUMPTION

FAS Mumbai forecasts that MY 2021/2022 consumption at 25.5 million (480-lb.) bales (32.7 million 170-kilogram bales/5.6 million metric tons). Post's mill consumption number remains unchanged from the USDA official figure.

**Textile Sector's Resilience Amid the COVID-19 Pandemic Outbreak:** The Indian textile sector has shown strong resilience notwithstanding the coronavirus (COVID-19) pandemic outbreak. However, with European export markets showing increases in COVID-19 case count numbers, there is a possibility that the pandemic may disrupt India's export deliveries. If so, this will affect India's cotton consumption figure.

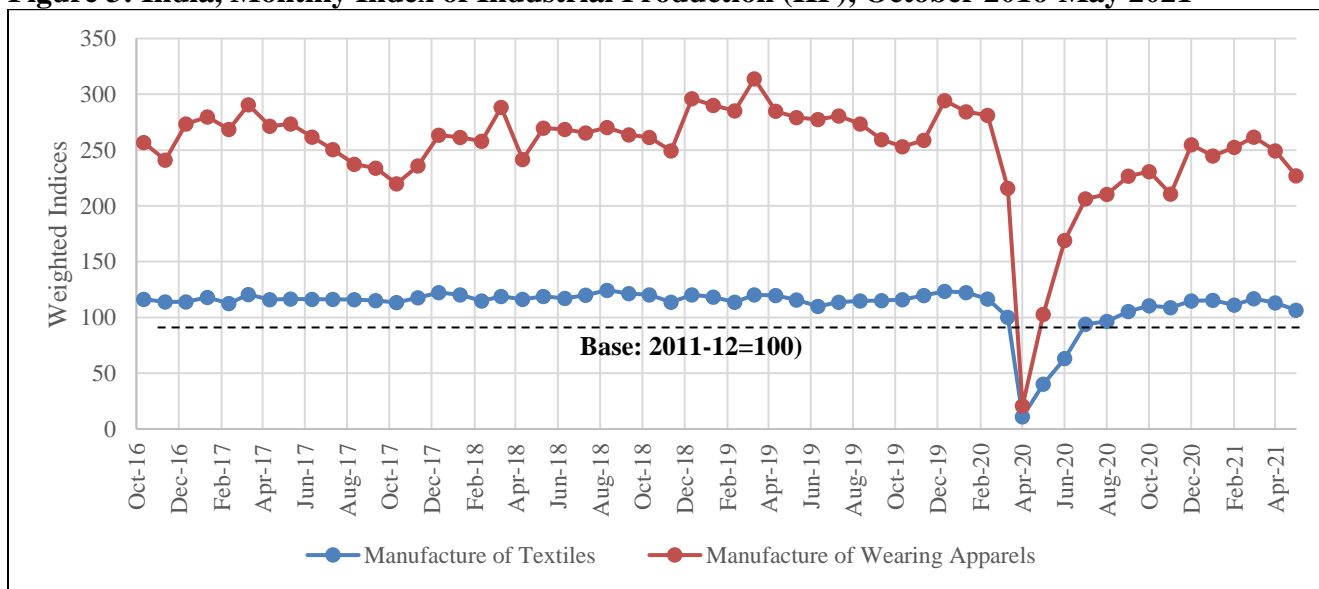
Rising fiber prices (for both cotton and man-made) is set to increase production costs for textile manufacturers servicing the domestic market. India's states are starting to gradually lift COVID-19 imposed restrictions in phased stages. The lifting of restrictions, however, has yet to lead to increased retail consumption anywhere near pre-outbreak levels. Slow market reopening, along with reductions in consumer spending on clothing and apparel, are resulting in a drop in demand.

As of July 22, Indian ex-gin cotton prices are almost \$0.04 lower than the COTLOOK A-Index (\$0.98). The spread between the two prices narrowed significantly in July. Prices do, however, hover at a point almost 46 percent higher than they did in October 2020. The mill offtake remains sluggish, as prices continue to rise. Mills are actively conserving working capital by limiting inventory, however, the demand for exports remains strong.

**COVID-19:** The surge in COVID-19 case counts in April-May 2021, with peaks of 400,000 in May, could necessitated a new round of lockdowns in various Indian states, including the New Delhi National Capital Region.

The past lockdowns significantly disrupted industrial operations. In May 2021, the textile sector experienced a six percent decline in production volume compared to April (based on the Index of Industrial Production - [Quick Estimates of IIP May 2021](#)). Apparel manufacturing similarly stumbles in May by 12 percent compared to its output one month earlier. With COVID-19 spreading like wildfire in workforce, the government had then imposed national lockdowns and other containment measures for restricting the spread of the virus. As a result of the measures, apparel production tumbled in 2020 and again in 2021.

**Figure 3: India, Monthly Index of Industrial Production (IIP), October 2016-May 2021**



Source: Ministry of Statistics and Program Implementation, Government of India, FAS New Delhi office research.

## TRADE

FAS Mumbai forecasts MY 2021/2022 cotton exports at 6.2 million (480-lb.) bales (7.7 million 170-kilogram bales/1.3 MMT). Post’s number is almost 200,000 (480-lb) bales higher than the USDA official figure. The larger number is premised on India retaining a large exportable surplus, which will be used to satisfy demand from major consuming countries. India-origin cotton prices remain very competitive compared to those of other origins. Various government export incentive schemes continue strengthening India’s competitive pricing.

The Ministry of Commerce and Industry’s trade data indicates that India’s MY 2020/2021 cotton exports (August 2020 to June 2021) surpassed 6 million (480-lb.) bales (7.7 million 170-kilogram bales/1.3 MMT), representing a 110 percent increase from the same period last year. Post finds that export shipments in June 2021 are already up three percent from the previous month. Top export destinations today include Bangladesh, China, Vietnam, and Indonesia. Exports to Bangladesh and China accounted for 42 percent and 36 percent respectively of the total shipments this past June.

FAS Mumbai is revising the MY 2020/2021 export estimate to 6.3 million (480 lb.) bales, an amount 200,000 bales higher than USDA official estimate. The higher estimate number is being premised on strong momentum in exports through the end of the marketing year.

The Ministry of Commerce and Industry's provisional trade estimates put cotton yarn/fabrics/made-ups and handloom products exports up 58 percent (by value) in June 2021 when compared to the same period last year. Exports of readymade garments of all textiles are 25 percent higher (by value) in June 2021 compared to the same period last year. Exports of man-made yarn/fabrics/made-ups are up 82 percent (by value) in June. The across-the-board jump in exports results from the recovery of foreign demand for Indian textiles, although starting from a low base. India's national lockdown back in June 2020, disrupted international trade, bringing Indian exports then to a standstill.

FAS Mumbai forecasts MY 2021/2022 imports at 1 million (480-lb.) bales (1.28 million 170-kilogram bales/218,000 MT), in line with the USDA official number. Post finds that import shipments in June 2021 have increased by 19 percent over the previous month. Shipments from Egypt (58 percent) and the United States (33 percent) combined constitute 91 percent of June's total shipment volume. Other suppliers to India, but on a lesser scale included Brazil, Israel, and Greece (with each holding about a two percent market share).

## **POLICY**

On July 14, the Indian government approved the three-year extension of the Rebate of State and Central Taxes and Levies (ROSC TL) scheme for the export of apparel/garments and made-ups. Under this scheme, the exporter is issued a duty credit scrip for the value of embedded taxes and levies contained in the exported product. The exporter can use this scrip to pay the basic customs duty for the import of equipment, machinery, or any other inputs.

The continuation of the export incentive scheme (through March 31, 2024) for apparel/garments and made-ups is making India's textiles globally more price competitive. The scheme is based on rebating all embedded taxes/levies that are not rebated under any other mechanism ([press release](#)).

**Table 1: India, Kharif 2021 Cotton Sowing Position (area in hectares)**

State	2021/2022 as of July 23, 2021	2020/2021 as of July 23, 2020	Normal Area as on date (2016-2020)	Y-o-Y Change	Change from Normal
Andhra Pradesh	240,000	342,400	252,600	-30%	-5%
Gujarat	2,091,600	2,147,700	2,044,200	-3%	2%
Haryana	688,000	737,000	646,400	-7%	6%
Karnataka	425,000	419,800	322,400	1%	32%
Madhya Pradesh	572,000	622,000	560,000	-8%	2%
Maharashtra	3,669,000	4,077,700	3,601,300	-10%	2%
Odisha	161,700	156,600	119,800	3%	35%
Punjab	303,400	501,000	288,800	-39%	5%
Rajasthan	591,600	663,700	532,100	-11%	11%
Tamil Nadu	4,900	5,000	3,700	-2%	32%
Telangana	2,109,000	2,108,600	1,493,900	0%	41%
Others	37,100	21,600	22,300	72%	66%
<b>ALL INDIA</b>	<b>10,893,300</b>	<b>11,803,100</b>	<b>9,887,500</b>	<b>-8%</b>	<b>10%</b>

Source: Ministry of Agriculture and Farmers Welfare, FAS Mumbai office research.

Note: \*\*Normal Area is the five-year average during 2016 through 2020.

**Table 2: India, State Monthly Wholesale Prices for Seed Cotton, July 2021\*\***

State	Prices July 2021**	Prices June 2021	Prices July 2020	Change (Over Previous Month)	Change (Over Previous Year)
Gujarat	7,425	6,905	4,124	8%	80%
Haryana	---	7,000	4,800	---	---
Karnataka	7,114	6,348	4,608	12%	54%
Madhya Pradesh	---	5,513	---	---	---
Maharashtra	5,820	5,499	5,201	6%	12%
Pondicherry	5,674	6,144	4,002	-8%	42%
Tamil Nadu	6,870	6,775	4,586	1%	50%
Telangana	---	5,550	---	---	---
<b>AVERAGE</b>	<b>6,581</b>	<b>6,217</b>	<b>4,553</b>	<b>6%</b>	<b>45%</b>

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

Note: \*\*Prices reported for the period from June 01-25, 2021 (India rupees/110 kilograms).

**Table 3: India, State Seed Cotton Arrivals in Market Yards, July 2021\*\* (metric tons)**

State	Market Arrivals July 2021	Market Arrivals July 2020	Change (Over Previous Year)
Andhra Pradesh	96	---	---
Gujarat	1,465	19,310	-92%
Haryana	---	170	---
Karnataka	566	7,448	-92%
Madhya Pradesh	255	24	944%
Maharashtra	2	12,228	-100%
Pondicherry	38	200	-81%
Rajasthan	---	20	---
Tamil Nadu	9,071	5,853	55%
Telangana	1,812	2,281	-21%
<b>TOTAL</b>	<b>13,304</b>	<b>47,534</b>	<b>-72%</b>

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

Note: \*\* Arrivals reported for the period from June 01-25, 2021.

**Table 4a: India, Estimate of 2019/2020 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 (HS) code 5201 – raw cotton.

**Table 4b: India, Estimate of 2020/2021 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 1\	711,686	120,987	555,687
January Exports 1\	773,840	131,553	604,217
February Exports 1\	820,468	139,480	640,625
March Exports 1\	1,074,065	182,591	838,634
April Exports 1\	790,848	134,444	617,497
May Exports 2\	705,882	120,000	551,156
June Exports 2\	729,412	124,000	569,528
<b>PRELIMINARY TOTAL (AUG-JUN)</b>	<b>7,706,319</b>	<b>1,310,074</b>	<b>6,017,124</b>

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

2\ FAS Analysis.

**Table 5a: India, Estimate of 2019/2020 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 (HS) code 5201 – raw cotton.



**Table 5b: India, Estimate of 2020/2021 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 1\	76,437	12,994	59,683
January Imports 1\	135,034	22,956	105,435
February Imports 1\	81,981	13,937	64,011
March Imports 1\	94,613	16,084	73,875
April Imports 1\	76,424	12,992	59,672
May Imports 2\	123,529	21,000	96,452
June Imports 2\	147,059	25,000	114,824
<b>PRELIMINARY TOTAL (AUG-JUN)</b>	<b>988,687</b>	<b>168,077</b>	<b>771,971</b>

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

2\ FAS Analysis.

**Table 6: India, Cotton Yarn\* Exports by Month (metric tons, thousands)**

<b>Month/Year</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
August	94	117	66	79	108	67	92
September	98	112	77	99	98	66	93
October	101	106	76	98	97	78	86
November	125	105	103	111	95	89	87
December	125	115	129	116	92	91	91
January	113	104	132	87	91	102	82
February	119	100	103	95	100	91	82
March	122	112	89	118	117	73	98
April	104	105	66	106	89	18	89
May	99	94	65	109	76	58	---
June	103	92	78	117	58	96	---
July	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>	<b>---</b>

\*HS code: 5204, 5205, and 5207.

Source: Directorate General of Foreign Trade, Ministry of Commerce, FAS Mumbai.

**Table 7: India's Cotton Fabric\* Exports by Month (square meters, thousands)**

<b>Month/Year</b>	<b>2014/2015</b>	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
August	92,491	101,609	113,364	107,497	147,673	150,882	146,826
September	98,636	104,032	104,666	123,688	126,498	139,365	155,768
October	108,182	117,744	105,449	109,769	142,260	146,139	160,681
November	103,471	95,225	87,711	118,256	119,215	126,143	144,410
December	105,335	121,134	112,030	132,635	132,049	142,892	162,945
January	93,192	116,656	107,852	125,493	136,899	140,226	151,973
February	96,586	107,487	110,875	113,399	135,495	148,992	146,288
March	105,169	120,461	113,507	133,927	162,676	121,661	155,649
April	87,666	109,535	94,383	114,876	126,001	21,311	145,165
May	104,169	103,373	89,117	119,821	141,129	69,665	---
June	104,505	97,043	93,410	122,381	131,541	127,795	---
July	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>	<b>---</b>

\*HS code: 5208 and 5209.

Source: Directorate General of Foreign Trade, Ministry of Commerce, FAS Mumbai.

**Attachments:**

No Attachments.