

Voluntary Report – Voluntary - Public Distribution

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Post: Mumbai

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Report Highlights:

Post forecasts India's MY 2021/22 cotton production will increase by four percent to 29.5 million 480 lb. bales on a reduced area of 12.9 million hectares. Yields are expected to improve by five percent based on the expectation of a normal monsoon forecast by the Indian Meteorological Department. In April, cotton fiber and yarn prices decreased due to a surge in COVID-19 cases, which has led to a slowdown in the production and consumption of textile products. Domestic retail demand remains severely hampered by the pandemic; however, exports of cotton and cotton products are rising, providing the best chance of recovery in the sector.

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	13,350	13,000		12,900
Beginning Stocks 1000 480 lb. Bales	9,004	9,004	17,584	16,882		17,282
Production 1000 480 lb. Bales	29,500	28,800	29,000	28,300		29,500
Imports 1000 480 lb. Bales	2,280	2,280	800	800		1,000
MY Imports from U.S. 1000 480 lb. Bales	-	-	-	-		
Total Supply 1000 480 lb. Bales	40,784	40,084	47,384	45,982		47,782
Exports 1000 480 lb. Bales	3,200	3,202	5,700	5,200		6,000
Use 1000 480 lb. Bales	20,000	20,000	24,300	23,500		25,300
Loss 1000 480 lb. Bales	-	-	-	-		-
Total Dom. Cons. 1000 480 lb. Bales	20,000	20,000	24,300	23,500		25,300
Ending Stocks 1000 480 lb. Bales	17,584	16,882	17,384	17,282		16,482
Total Distribution 1000 480 lb. Bales	40,784	40,084	47,384	45,982		47,782
Stock to Use % (PERCENT) (b)	76%	73%	58%	60%		53%
Yield (KG/HA) (c)	476	468	473	474		498

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

Area and Production

Post estimates India's MY 2021/22 cotton production at 29.5 million 480 lb. bales (37.8 million 170-kilogram bales/6.4 MMT), four percent higher than last year, but planted on one percent lower area estimated at 12.9 million hectares. India's average yield is at estimated at 498 kilograms per hectare, five percent higher than last year on the expectation of a normal monsoon. On April 16, the Indian Meteorological Department (IMD) forecasted a normal 2021 Southwest Monsoon, suggesting that June to September rainfall will likely be 98 percent of the Long Period Average (LPA) of 88 cm. For more details, please refer to [GAIN IN2021-0058](#). Post estimates cotton area will decline marginally by one percent to 12.9 million hectares as farmers are expected to shift part of their area to alternative crops such as soybeans and paddy, due to better prices. The Government of India (GOI) remains focused on enhancing the productivity of Kharif crops, especially pulses and oilseeds, so a shift away from cotton is expected. While seed cotton farm gate prices are 30 percent higher since October 2020, prices fell by eight percent during April due to expectations of increasing disruptions in operations because of COVID-19 measures.

MY 2020/21 area estimate for the northern state of Punjab has been lowered from 500,000 hectares to 251,000 hectares based on revisions made by the state government. The state has also revised the MY 2021/22 projected target cotton area to 325,000 hectares. Trade sources indicate that the decision to revise the cotton area was based on ground level assessments which concluded that crop loss and damage was much higher than estimated earlier. Post has adjusted MY 2019/20 and 2020/21 acreage and production accordingly.

Arrivals and Stocks

According to the Cotton Corporation of India (CCI), new crop arrivals as of April 26 are estimated at 26.2 million 480 lb. bales (33.5 million 170-kilogram bales /5.7 MMT). Current crop arrivals represent 90 percent of total estimated production for marketing year 2020/21. The pace of arrivals is 19 percent higher than the same period last year. Trade sources indicate unsold stocks with government agencies are around 3.7 million 480-lb. bales (4.7 million 170-kilogram bales). They also indicate that a large proportion of the unsold stocks are of lower quality (below the CCI mandated standards) from the state of Telangana.

Consumption

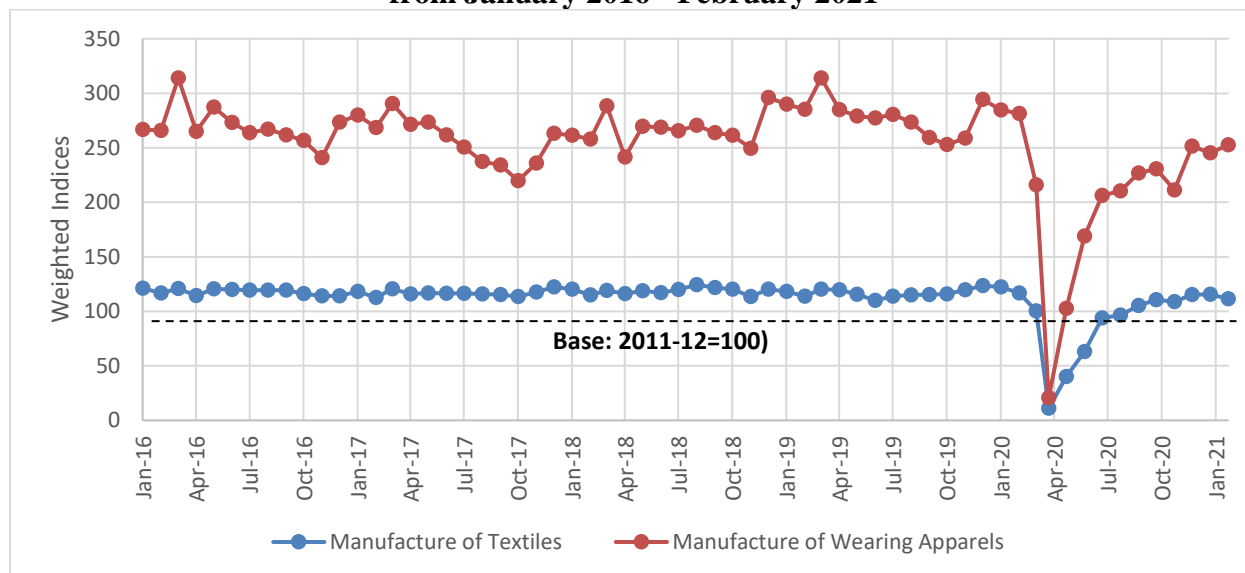
Post estimates MY 2021/22 consumption at 25.3 million 480-lb. bales (32.4 million 170-kilogram bales/5.5 MMT). Mill consumption is expected to increase by almost eight percent from last year. Post anticipates cotton lint prices will remain suppressed due to large exportable surplus and slow revival in domestic retail demand.

MY 2020/21 consumption estimate has been revised to 23.5 million 480 lb. bales. Post's estimate is 800,000 bales lower than official USDA estimate. While increased demand in Europe and the United States is leading to increased orders for Indian mills, the surge in COVID-19 cases is affecting mill operations. Trade sources indicate that the surge in COVID-19 cases has led to lockdowns and curfews in a number of states in Central and Southern India (Maharashtra, Karnataka, Tamil Nadu, Andhra Pradesh) who have a large concentration of textile mills, impacting the production of cotton yarn. These restrictions are limiting the movement and sale of yarn stocks to fabric and apparel manufacturers leading to an increase in yarn stocks. Prices of 30s combed cotton yarn fell by eight percent in the month of April.

During April, state specific restrictions on inter-state and intra-state movement led to a slowdown in textile production, and is likely to impact manufacturing during the month of May as well. Workers in the garment and apparel manufacturing sectors are dependent on public transport for commuting and limits on their movement will impact overall production. In addition, the pandemic is leading to reverse migration but not as dramatic as last year. Similarly, the closure of retail outlets has severely impacted the industry, which was recovering from last year's lockdown. According to an industry association, around 80 percent of retail stores are closed due to various restrictions across states, leading to significant financial losses and putting 10 million jobs at risk across the entire textile value chain.

For the month of January 2021, the quick estimates of the Index of Industrial Production (IIP), indicate that the textile manufacturing sector witnessed 5.6 percent negative growth in production volume compared to January 2020, highlighting ongoing contraction due to COVID-19. Cumulatively, Indian fiscal year 2020/21 (Apr/Jan) witnessed a 26.6 percent decline compared to 2019/20. The manufacturing of apparels is also down 20 percent compared to last year, and 35 percent lower in 2020-21(Apr/Jan) as compared to 2019/20. For more details, please refer to [Quick Estimates of IIP January 2021](#).

**Image 1: India's Monthly Index of Industrial Production (IIP)
from January 2016 - February 2021**



Source: Ministry of Statistics and Programme Implementation, Government of India

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 April 26, 2021 has crossed 7.2 million 480 lb. bales (9.2 million 170-kilogram bales/1.6 MMT), valued at US\$ 3.6 billion (INR 26,720 crores) benefitting 1.9 million farmers.

Trade

Post estimates MY 2021/22 cotton exports at 6 million 480-lb. bales (7.7 million 170-kilogram bales/1.3 MMT). The possibility of another large crop will leave India with a massive exportable surplus with limited buyers. According to trade data published by the Ministry of Commerce and Industry, India's MY 2020/21 cotton exports for August 2020 through March 2021 totaled 4.2 million 480-lb. bales (5.4 million 170-kilogram bales/924,000 MT), 76 percent higher from the same period last year. Top cotton export destinations were Bangladesh, China, Vietnam, and Indonesia. During April, Indian ex-gin prices have fallen by one percent, while Cotlook A-Index has rose by five percent. As Indian cotton prices are expected to remain at a discount due to a large crop, the price advantage could lead to higher exports than last year as demand recovers across major buying markets.

Robust demand for cotton yarn and fabric has led to growth in exports of these product. Provisional trade estimates published by the Ministry of Commerce indicate that exports of cotton yarn/fabrics/made-ups and handloom products were 56 percent higher (by value) in March 2021 as compared to the same period last year. Exports also increased by 17 percent from previous month. However, the cumulative value of exports during the Indian financial year (between April 2020 and March 2021) is down by two percent, compared to same period last year. Similarly, exports of

readymade garments of all textiles were 28 percent higher in March 2021 compared to the same month last year, but the cumulative value of exports during April 2020 and March 2021 fell by 21 percent compared to the same period last year. Exports of man-made yarn/fabrics/made-ups were up by 31 percent in March compared to the same month last year, but lower by 21 percent between April 2020 and March 2021 as compared to last year.

Post's estimate for MY 2020/21 cotton exports has been revised to 5.2 million 170-kilogram bales on account of strong fiber demand. Post's estimate is 500,000 480 lb. bales lower than official USDA estimate. Indian cotton has a price advantage, but remaining unsold stocks are lacking in quality., so buyers are preferring from other foreign suppliers, such as Brazil and Australia. In addition, rising freight costs are also diminishing the price advantage of Indian cotton, so export prospects for remainder of MY 2020/21 remain limited. The World Container Index (WCI) for a 40-foot container on April 22, 2021 was 229 percent higher than a year ago. According to the Ministry of Commerce and Industry, there has been a considerable improvement in the availability of containers, as confirmed by increasing shipments. However, the non-availability of space in vessels calling on Indian ports and delayed availability of certain destinations, particularly in East Africa are other issues affecting trade. Congestion at major world ports are largely due to COVID-19 and an acute imbalance between exports and imports in India. A number of steps have been taken by the government to ease the problems faced by exporters over the past few months as referred in the [press release](#).

Post estimates MY 2021/22 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 MY 2020/21 estimate. While the recent imposition of a ten percent import duty led to a 47 percent decline in shipments in February, imports in March rose by 27 percent indicating the steady demand remains from textile exporters for specialized cotton. Egypt, United States, Australia and Israel were the top suppliers in April. Post estimates that shipments of extra-long staple (ELS) cotton will continue to grow in MY 2021/22, given the strong demand outlook in export markets, and imports of upland will be supported by shipments from Australia, United States, and Brazil.

Policy

Foreign Trade Policy 2015-2020 extended for Six Months until September 2021

On March 31, the Ministry of Commerce and Industry issued a [notification](#) on the extension of the Foreign Trade Policy (FTP) of the GOI. The GOI has decided to continue providing benefits under various export promotion schemes for another six months up to September 30, 2021 which will provide continuity in the policy regime. Exemption from payment of IGST and compensation cess on the imports made under Advance/EPCG Authorizations and by EOUs etc. has also been extended to September 30, 2021

Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit- Extension

On April 12, the Reserve Bank of India (RBI) issued a [notification](#) to extend the Interest Equalization Scheme, also known as interest subvention by another three months from April 1, 2021 to June 30, 2021. The Interest Equalization Scheme on pre and post shipment rupee export credit was introduced in April 1, 2015, providing interest equalization at three percent for labor intensive / MSME sectors. The rate was increased to five percent for MSME sectors including textiles in November 2, 2018 and merchant exporters have been covered under the scheme since January 2, 2019.

Table 1. India: State Monthly Wholesale Prices for Seed Cotton in April 2021**
(Prices in Indian Rupees per 100 kilograms)

State	Prices, April 2021**	Prices, March, 2021	Prices, April, 2020	Change (Over Previous Month)	Change (Over Previous Year)
Gujarat	6,141	5,963	4,668	3%	32%
Haryana	6,100	5,926	-	3%	-
Karnataka	5,554	5,757	3,826	-4%	45%
Madhya Pradesh	5,776	5,896	4,236	-2%	36%
Maharashtra	5,748	5,858	4,757	-2%	21%
Odisha	5,400	5,615	5,296	-4%	2%
Punjab	6,351	5,973	5,405	6%	18%
Rajasthan	6,328	6,167	5,091	3%	24%
Tamil Nadu	4,496	6,458	4,481	-30%	0%
Telangana	-	5,881	-	-	-
Average	5,766	5,949	4,720	-3%	22%

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

**Prices reported for the period from April 01-27, 2021

Table 2. India: State Seed Cotton Arrivals in Market Yards in April 2021 (in metric tons)**

State	Market Arrivals February, 2021	Market Arrivals February, 2020	Change (Over Previous Year)
Andhra Pradesh	1,308.70	-	-
Gujarat	15,289.84	1,403.74	989%
Haryana	489.50	-	-
Karnataka	5,399.00	8,329.00	-35%
Madhya Pradesh	1,587.44	774.79	105%
Maharashtra	5,036.00	509.00	889%
Odisha	0.50	755.00	-100%
Punjab	3,090.50	209.50	1,375%
Rajasthan	4,902.50	5,821.00	-16%
Tamil Nadu	111.57	45.51	145%
Telangana	3,211.41	43.97	7,204%
Total	40,426.96	17,891.51	126%

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

**Arrivals reported for the period from April 01-27, 2020

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

	170 kg	Metric Tons	480 lb.
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
Total	4,100,343	697,058	3,201,563

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 2020/21 Cotton Exports

	170 kg	Metric Tons	480 lb.
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 2\	850,000	144,500	663,683
March Exports 2\	1,000,000	170,000	780,804
Preliminary Total (Aug-Mar)	5,435,643	924,059	4,244,171

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 2019/20 Cotton Imports

	170 kg	Metric Tons	480 lb.
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
Total	2,920,003	496,400	2,279,949

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 2020/21 Cotton Imports

	170 kg	Metric Tons	480 lb.
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 2\	71,449	12,146	55,788
March Imports 2\	90,588	15,400	70,732
Preliminary Total (Aug-Mar)	627,117	106,610	489,655

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	91
Jan	113	104	132	87	91	102	82
Feb	119	100	103	95	100	91	84**
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	
TOTAL	1,321	1,237	1,055	1,236	1,080	929	

*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	160,681
Nov	103,471	95,225	87,711	118,256	119,215	126,143	144,410
Dec	105,335	121,134	112,030	132,635	132,049	142,892	162,945
Jan	93,192	116,656	107,852	125,493	136,899	140,226	151,973
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	
TOTAL	1,196,821	1,293,214	1,226,764	1,435,355	1,642,288	1,489,140	

*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce

Attachments:

No Attachments.