

Required Report: Required - Public Distribution

Date: September 03, 2024

Report Number: IN2024-0042

Report Name: Cotton and Products Update

Country: India

Post: New Delhi

Report Category: Cotton and Products

Prepared By: Dhruv Sood

Approved By: Rhiannon Elms

Report Highlights:

FAS Mumbai forecasts marketing year (MY) 2024/25 India cotton production at 25 million 480 lb. bales on 11.8 million hectares planted area, a two percent decrease in area from the previous forecast, as farmers have shifted cotton acreage to higher return crops such as paddy, and pulses. To date, planting is complete on 11 million hectares, with sowing underway in south India. India's lint prices are trading eight to nine cents higher than global prices, prompting mills to import cotton until new arrivals begin in October. Mill consumption is forecast at 25.5 million 480 lb. bales, two percent higher from the previous forecast, on improvement in cotton yarn and textile demand in international markets.

Production, Supply and Distribution

Cotton Market Year Begins	2022/2023		2023/2024		2024/2025	
	Aug 2022		Aug 2023		Aug 2024	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	12,927	12,927	12,700	12,700	12,000	11,800
Beginning Stocks 1000 480 lb. Bales	8,396	8,396	10,824	10,824	10,574	10,644
Production 1000 480 lb. Bales	26,300	26,300	26,200	26,000	24,500	25,000
Imports 1000 480 lb. Bales	1,727	1,727	875	940	2,000	1,200
Total Supply 1000 480 lb. Bales	36,423	36,423	37,899	37,764	37,074	36,844
Exports 1000 480 lb. Bales	1,099	1,099	2,325	2,320	1,500	2,000
Domestic Use 1000 480 lb. Bales	24,500	24,500	25,000	24,800	25,500	25,500
Loss 1000 480 lb. Bales	-	-	-	-	-	-
Domestic Use and Loss 1000 480 lb. Bales	24,500	24,500	25,000	24,800	25,500	25,500
Ending Stocks 1000 480 lb. Bales	10,824	10,824	10,574	10,644	10,074	9,344
Total Distribution 1000 480 lb. Bales	36,423	36,423	37,899	37,764	37,074	36,844
Stock to Use % (PERCENT)	42%	42%	39%	39%	37%	34%
Yield (KG/HA)	443	443	449	446	445	461
(1000 HA),1000 480 lb. Bales, (PERCENT), (KG/HA)						

Area

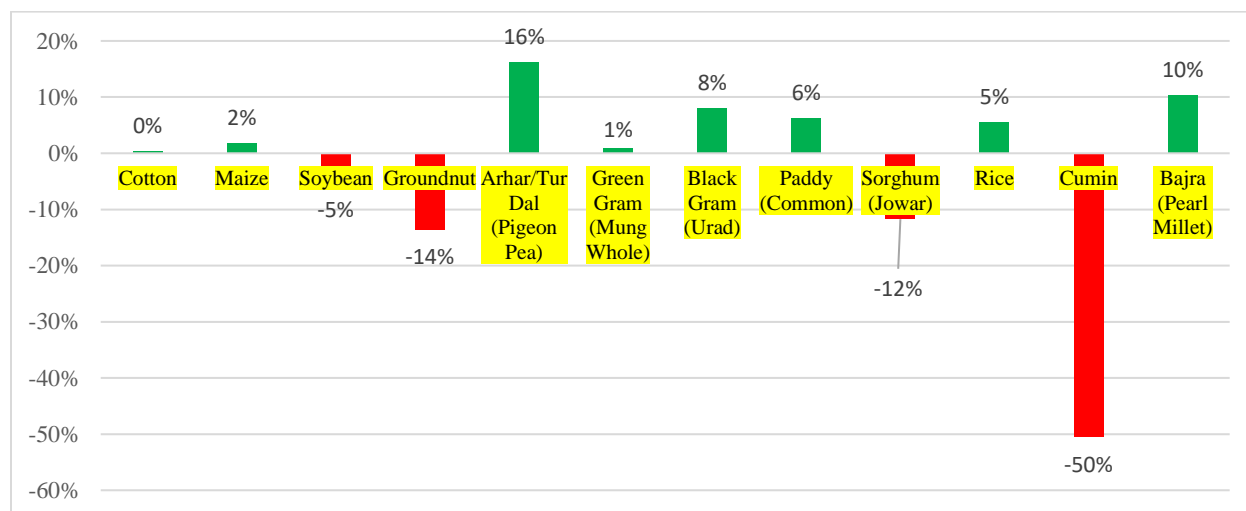
FAS Mumbai forecasts MY 2024/25 India cotton planted area at 11.8 million hectares, two percent lower than the previous forecast as farmers have shifted cotton area to higher return crops such as paddy, and pulses. According to the [August 12 sowing progress report](#) published by the Ministry of Agriculture and Farmer Welfare, cotton sowing has reached 11 million hectares (refer table 1), nine percent lower than this time last year, and nine percent lower than the five-year average, due to delayed progress of the southwest monsoon towards central and north India (refer [GAIN IN2024-0038](#)). As of August 12, planted area in north India is down 35 percent from last year, with central India down by six percent, and south India down two percent. In north India, low yields, frequent pest infestation and limited minimum support price (MSP) procurement by government agencies has forced farmers to shift to paddy, with some additional area under pulses and maize. Farmers continue to face issues related to poor soil health, high input costs and volatile prices. As most cotton farmers rely on rainwater supplies, late and erratic rainfall leads to widespread uncertainty for planting decisions and production. Many farmers report having to re-sow cotton seed several times for it to become established. Sowing data indicates that farmers have increased area under paddy by four percent and pulses by seven percent (refer figure 1) due to anticipated higher price realization and the volatility associated with erratic rains.

Table 1. Kharif 2024 Cotton Sowing Progress (in million hectares)

State	2024/25 as of Aug 9, 2024	2023/24 as of Aug 9, 2023	Normal Area as on date	Y-o-Y Change	Change from Normal	Absolute Change
Andhra Pradesh	0.324	0.322	0.460	1%	-30%	(2.49)
Telangana	1.686	1.794	1.962	-6%	-14%	(2.11)
Gujarat	2.336	2.676	2.463	-13%	-5%	1.33
Haryana	0.476	0.665	0.683	-28%	-30%	0.16
Karnataka	0.661	0.613	0.592	8%	12%	(1.28)
Madhya Pradesh	0.615	0.637	0.610	-3%	1%	0.25
Maharashtra	4.078	4.158	4.147	-2%	-2%	0.01
Odisha	0.231	0.227	0.193	2%	19%	0.19
Punjab	0.100	0.214	0.263	-53%	-62%	(0.80)
Rajasthan	0.512	0.789	0.671	-35%	-24%	1.08
Tamil Nadu	0.008	0.011	0.009	-29%	-9%	(0.16)
Others	0.024	0.017	0.026	39%	-7%	(0.03)
All India	11.049	12.124	12.079	-9%	-9%	(3.86)

Source: Ministry of Agriculture and Farmers Welfare

Figure 1: Year-on-Year Percentage Change in Wholesale Prices August 2024



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

Note: **Price comparison August 01-18, 2024, to same period last year (India rupees/100 kg).

Production

FAS Mumbai forecasts MY 2024/25 India cotton production at 25 million 480 lb. bales (32 million 170-kilogram bales/5.4 million metric tons), two percent lower than the previous forecast. All-India yield

forecast remains at 461 kilograms per hectare, as lower yields in north and central India will be offset by higher yields in south India.

According to the Indian Meteorological Department (IMD), northwest India received 33 percent deficit rains in June as compared to the long period average (LPA)/fifty-year average, and a 14 percent deficit in July as compared to LPA leading to a slowing of plant growth and development. Post forecasts MY 2024/25 production in north India to decline by six percent from last year.

Similarly, delayed rains in central India, and lower costs of production in competing crops has prompted farmers to shift area to groundnut (peanut), pulses, and soybeans. Post forecasts MY 2024/25 production in central India to decline by five percent from last year, with south India production nine percent higher than last year on timely southwest monsoon onset and a good distribution of rainfall that provided adequate moisture and will support higher yields in Andhra Pradesh, Telangana and Karnataka.

Stocks

During India's marketing year 2023/24 (October/September), the Cotton Corporation of India (CCI) has procured 2.6 million 480 lb. bales (3.3 million 170-kilogram bales/558,000 MT) to date. CCI has sold 929,000 480 lb. bales (1.2 million 170-kilogram bales/202,300 MT) and is holding stock of 1.6 million 480 lb. bales (2.1 million 170-kilogram bales/356,000 MT), as of [July 16 stock position](#).

Consumption

Post forecasts MY 2024/25 mill consumption at 25.5 million 480 lb. bales (32.6 million 170-kilogram bales/5.6 million metric tons), 500,000 bales (two percent) higher than the previous estimate. Domestic mill demand is improving as major export markets of Europe and the United States are experiencing a revival for products. Large mills are equipped to manage volatile cotton prices, escalating labor costs and rising domestic transportation costs as they have higher working capital, however, small to medium sized mills continue to operate on a hand-to-mouth basis. Cumulative cotton yarn export data (Aug/Jun) indicates a 60 percent rise (refer figure 2) in shipments by volume as compared to last year. Bangladesh remains the top export market for cotton yarn with 42 percent market share by value and volume, followed by China and Vietnam. Similarly, cotton fabric exports (refer figure 3) witnessed a seven percent year-on-year increase (Aug/Jun) in export shipments. Major export markets for fabric are Bangladesh with 20 percent market share by value followed by Sri Lanka and Nigeria. The production of both textiles and apparels is down marginally based on the [Index of Industrial Production - Quick Forecasts of IIP June 2024](#), as compared to the same period last year. Demand resurgence has kept India's ex-gin prices around 87 cents per pound over the past three months, however, the Cotlook A-Index has fallen by six percent during the same period with an average of 78 cents per pound. Textiles mills are now operating at near 70-80 percent capacity to fulfill orders sourcing imported cotton until new crop arrivals begin in October. Trade sources indicate that most large mills have sufficient stock until the end of November, while small to medium sized mills are covered between 45-60 days on average.

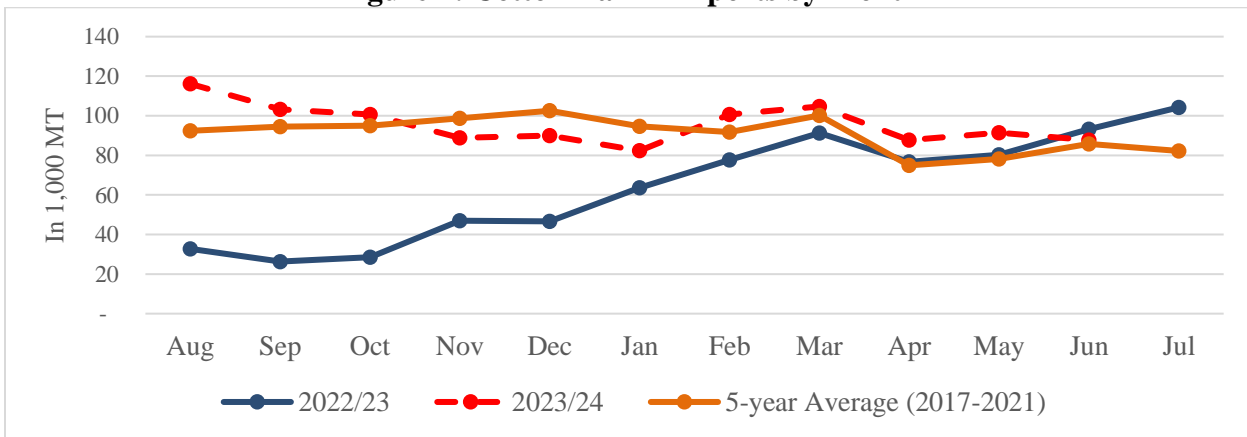
Indian Textile Sector Unable to Benefit from Bangladesh Disruption

The sentiment around India's textile mill sector remains cautious about the MY 2024/25 season in wake of political upheaval in Bangladesh, one of the largest buyers of India's raw cotton and cotton yarn. According to trade data published by the Ministry of Commerce, India exported raw cotton valued at

\$557 million (74 percent market share), and cotton yarn valued at \$1.2 billion (34 percent share) to Bangladesh in calendar year 2023. Trade sources indicate that unrest in Bangladesh is unlikely to have any major impact on business orders shifting to India, as Bangladesh’s textile mill disruption was short lived, and contacts report nearly 90 percent of factories are operational to date.

Trade sources indicate that Indian mills are unable to match the pricing and productivity levels as compared to Bangladesh’s mills. Additionally, Bangladesh continues to enjoy a duty-free and quota-free access for its textile and apparel products to European markets and tariff preferences for certain lines under the U.S. Generalized System of Preferences (GSP) Scheme for exports to the United States. Conversely, textile exports from India to European markets are levied a four percent duty on cotton yarn, eight percent on fabric, and 12 percent on garments and mills are therefore not able to absorb a duty difference without negatively impacting margins and profitability. In addition, only a few manufacturers in India have the scale, capacity or compliant facilities to meet requirements of international retailers and brands that place high volume orders.

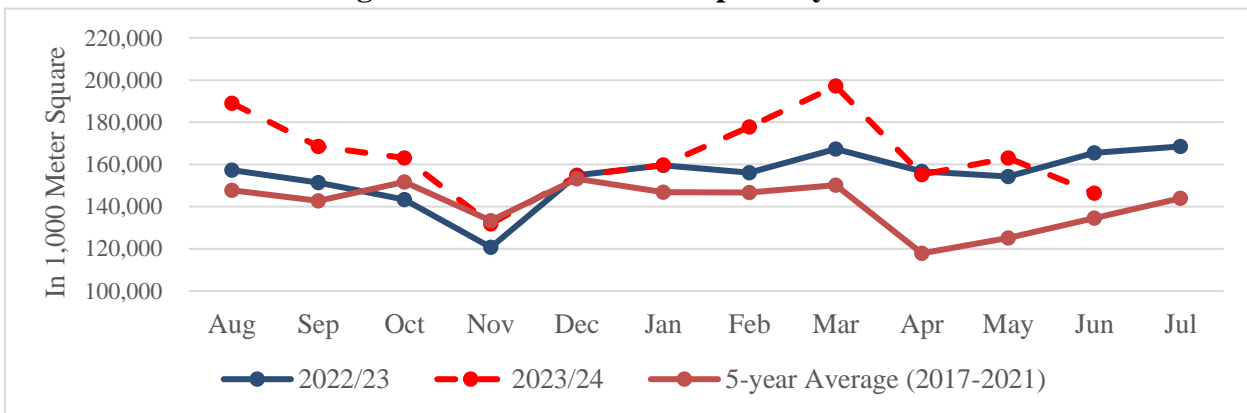
Figure 2: Cotton Yarn* Exports by Month



*HS code: 5204, 5205 and 5207

Source: Directorate General of Foreign Trade, Ministry of Commerce

Figure 3: Cotton Fabric* Exports by Month



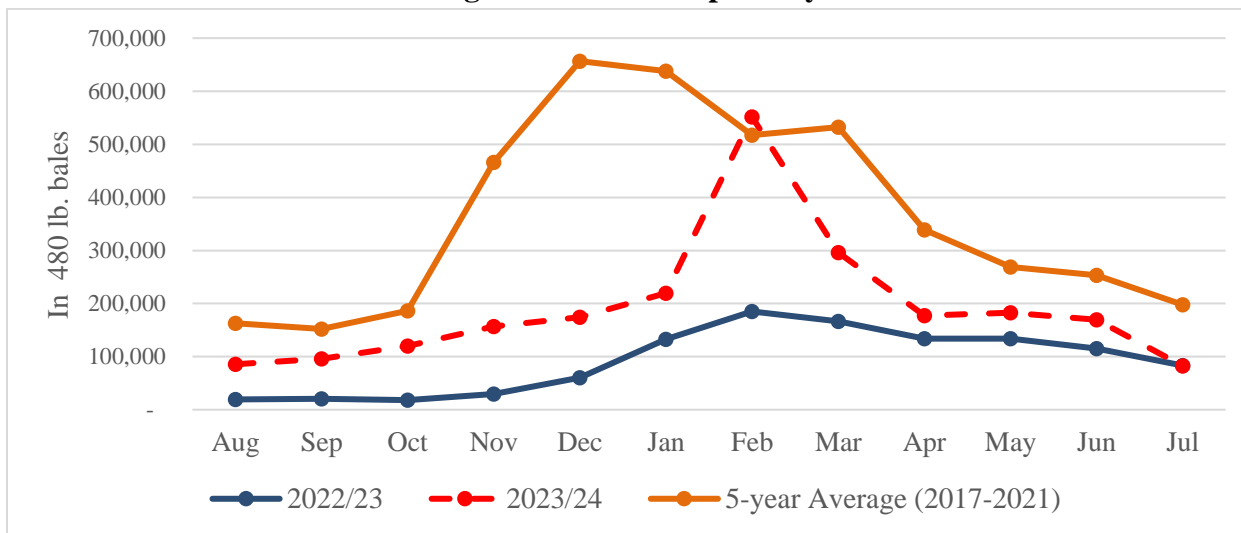
*HS code: 5208 and 5209

Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry

Exports

Post forecasts MY 2024/25 exports at two million 480-lb. bales (2.6 million 170-kilogram bales/436,000 metric tons), 20 percent lower than the previous forecast as improved mill demand will likely push a higher percentage of raw cotton into the domestic market for value addition, leaving lower exportable surplus than anticipated. High carryover stocks will result in an exportable surplus. Indian cotton lint prices are trading 8-9 cents higher than the Cotlook A-Index prompting larger mills to import cotton till new arrivals begin in October. As the new crop arrivals begin in October, prices are likely to remain suppressed providing exporters an opportunity to explore new markets like Indonesia, Thailand, United Arab Emirates and Oman aside from traditional buyers like Bangladesh, China and Vietnam. Preliminary export data for July 2024 (refer figure 4) indicates that 84 percent of raw cotton shipments of medium-to-long staple cotton (25 to 32 mm length) were shipped to Bangladesh, followed by Vietnam (11 percent) and Indonesia (two percent). The major Indian port for export shipments was Petrapole comprising 42 percent of the total volume.

Figure 4: Cotton Exports by Month

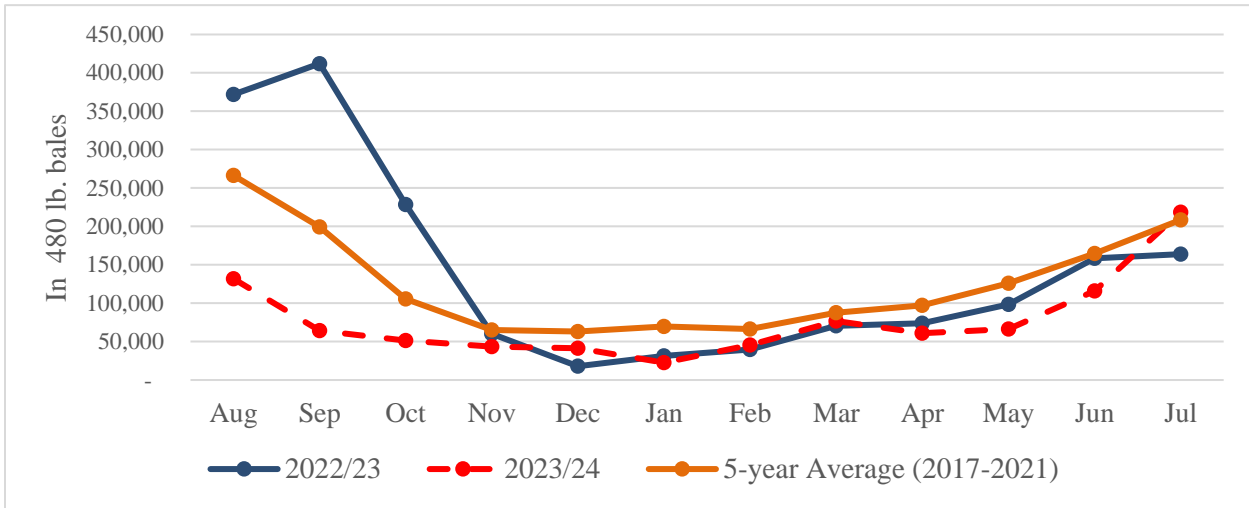


Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry

Imports

Post forecasts MY 2024/25 cotton imports at 1.2 million (480-lb.) bales (1.5 million 170-kilogram bales/261,000 metric tons) unchanged from the previous forecast. As Indian cotton lint prices have risen around ten percent higher than global prices in the past month, imports have increased indicating mill preference for imported cotton even with the duty in effect for medium and long staple cotton. Preliminary shipment data from July indicates that 55 percent of imported raw cotton shipments by volume were from Africa including Mali, Chad, Togo, and Tanzania. Other origins included United States and Egypt with 13 percent share each of the total volume. Almost 70 percent of the total shipments arrived in ports in south India. The rising domestic transportation costs make it economically unviable for south India mills to buy cotton from other cotton growing states in central India. The major port for imported shipment arrivals in July was Tuticorin in Tamil Nadu, with 66 percent of total volume.

Figure 5: Cotton Imports by Month



Source: Directorate General of Foreign Trade, Ministry of Commerce, and Industry
**FAS estimate

Attachments:

No Attachments