

Cotton Outlook – October 2019

World Scenario

Global 2019-20 cotton area, production and productivity are projected at 34.70 million hectares (85.80 million acres), 124.90 million bales and 785 Kg/ha, which were nearly 4 and 5 percent greater than that of 2018-19 estimates respectively. According to the Cotton and Wool Outlook, September estimates India is the largest cotton producer in the world with 29.50 million bales compared to 26.50 million bales in previous year followed by China (27.8 million bales), United States (21.90 million bales), Brazil (12.00 million bales) and Pakistan (8 million bales).

In India, cotton area in 2019-20 is 127.67 million hectares compared to 121.05 lakh ha in previous year (2018-19) as the monsoon has improved planting expectations, and relative domestic prices favor cotton over other crops. In addition, a rebound in yield (506 kg/ha) closer to the 5-year average is projected to increase the crop output by 3 million bales to 29.5 million bales in 2019-20. China, Vietnam and Bangladesh are expected to remain the leading raw cotton importers this season, with a combined increase of 2.2 million bales.

International Price Movement

China Cotton Index (CC Index 3128B) decreased from 88 to 83 cents/lb between early August and the present. Indian cotton prices (Shankar-6 quality) traded consistently near 75 cents/lb in international terms over the past month. In domestic terms, Indian prices held to levels between 41,500 and 42,700 INR/candy. Pakistani prices increased from 60 to 63 cents/lb in international terms and from 7,750 to 8,100 PKR/maund in domestic terms.

Table 1: International Price of Cotton (cents/lb)

	Latest Value (12 th Sept 2019)	Latest Month (Aug 2019)	Last 12 Months (Sept 18 th - Aug 19 th)
NY Nearby	62.2	59.0	72.3
A Index	70.9	70.8	82.4
CC Index	83.6	87.2	100.9
Indian Spot	74.7	76.6	80.6
Pakistani Spot	63.2	61.0	73.8

Source: www.cottoninc.com

Indian cotton industry is already struggling from slumped exports due to lean demand. India was hoping to extend the exports to China in 2019-20 but China has recently announced the duty free access to import cotton yarn and other specific items from Pakistan which will impact the Indian exports. India is becoming uncompetitive against Pakistan and Vietnam as China has been giving zero duty access while, India is facing 3.5-4% levy. The Indian yarn exports fallen to 15-20 million Kg in 2019 as against an average of 50-60 million Kg in 2018.

Indian Scenario

As on 26th September 2019, area under cotton during 2019-20 was 127.67 lakh ha as against 121.05 lakh ha in 2018-19 i.e., 5.46 percent more than the previous year. Among the states, higher area was reported from Maharashtra (44.05 lakh ha) followed by Gujarat (26.66 lakh ha), Telangana (18.59 lakh ha), Haryana (7.01 lakh ha) and Rajasthan (6.44 lakh ha).

Table 2: State wise area under cotton in India

State	2018-19		2019-20	
	Area (lakh ha)	% to total area	Area (lakh ha)	% to total area
Maharashtra	42.54	35.14	44.05	34.50
Gujarat	27.12	22.40	26.66	20.88
Telangana	17.96	14.84	18.59	14.56
Haryana	6.65	5.49	7.01	5.49
Rajasthan	4.96	4.10	6.44	5.04
Others	21.82	18.03	24.92	19.52
All India	121.05	100.00	127.67	100.00

Source: www.agricoop.nic.in

Domestic Trade information

Table 3: Major Cotton Markets and Prices in India (Rs/Quintal)

State	Centre	21-Sep-2019	14-Sep-2019	21-Aug-2019	21-Sep-2018
Gujarat	Gondal	6405	6255	6405	5500
	Rajkot	6525	6260	6525	5530
Haryana	Bhiwani	5500	5600	5500	5600
	Adampur	5370	5540	5370	5350
	Fatehabad	5350	0	5350	5350
	Jind	5700	5620	5700	5700
	Uchana	5435	5450	5435	5385
	Dabwali	5515	5350	5515	NR
Rajasthan	Hanumangarh	5800	0	5800	Closed
	Rawatsar	5550	0	5550	Closed
Uttar Pradesh	Hathras	5700	5700	5700	NA
	Hathras	4900	5000	4900	NA
Telangana	Adilabad	6100	6200	5900	5400

Source: www.agriwatch.com

Cotton in Telangana

In Telangana state during 2019 area under cotton as on 25th September was 18,59,518 hectares as against 17,96,471 hectares during 2018-19. Among the districts, Nalgonda stood first with 2,35,408 ha followed by Adilabad (1,32,047 ha), Nagarkurnool (1,23,055 ha), Sangareddy (1,22,344ha) and Asifabad (1,05,009 ha).

Table 4: District wise area under cotton in Telangana

District	2018-19		2019-20	
	Area (ha)	% to total area	Area (ha)	% to total area
Nalgonda	231965	12.91	235408	12.66
Adilabad	135249	7.53	132047	7.10
Nagarkurnool	113320	6.31	123055	6.62
Sangareddy	92728	5.16	122344	6.58
Asifabad (K.Bheem)	92773	5.16	105009	5.65
Others	1130436	62.93	1141655	61.40
Telangana State	1796471	100.00	1859518	100.00

Source: www.agri.telangana.gov.in

Cotton Prices in Telangana

Table 5: Arrivals and Prices of Cotton at Warangal Market in the Month of September 2019

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
3	719	5,000	6,145	6,100
4	1,252	5,000	6,170	6,100
5	1,625	5,000	6,150	6,050
6	1,093	5,000	6,200	6,100
7	1,202	5,000	6,150	5,800
9	990	5,000	6,205	6,150
12	766	5,000	6,300	5,800
13	915	5,000	6,330	6,075
14	1,346	5,000	6,255	6,200
16	1,278	5,000	6,230	6,175
17	1,168	5,000	6,280	6,225
18	1,018	5,000	6,285	6,225
19	915	5,000	6,285	6,230
20	1,298	5,000	6,265	6,200
23	2,019	5,000	6,240	6,100
24	1,130	5,000	6,140	6,075
25	1,417	5,000	5,900	5,825
26	561	5,000	5,925	5,875
27	429	5,000	5,925	5,875
30	805	5,000	6,105	6,050

Source: <http://tsmarketing.in/>

World trade is lower, as lower imports are forecast for China, Vietnam and Thailand. US cotton production is lowered by 654,000 bales to 21.86 million, largely due to a decline for the Southwest, while consumption is lowered by 100,000 bales. Exports are projected 700,000 bales lower due to reduced U.S. production. The cotton output in Pakistan is likely to decline by 26% with a shortfall of 0.66 million bales as about 18.52 lakh bales arrived against the arrival of 25.17 lakh bales of same period of last year.

Indian cotton exports for Aug'19 were reported at 61,991 bales against 68,509 bales in the previous month. The total exports of India from the starting of the marketing year in Oct'18 till July'19 reached to a total of 43.65 lakh bales i.e., around 21.34% lower compared to 64.99 lakh bales during the corresponding period in 2017-18. In Aug'19, Bangladesh was the largest importer, importing 45,187 Indian bales with an average FoB of 2049.2 \$/ton followed by Iran (9,625 bales at FoB 2013\$/ton) and Vietnam importing 4081 bales at 1238 \$/ton.

Cotton Corporation of India (CCI) currently holds around 900,000 bales out of around 1.1 million bales of cotton it procured in the current marketing season ending this month. This move might increase the imports of cheaper cotton from USA in the coming days because of which the prices might fall to some extent.

Average price of Lint at Sirsa during the week was Rs.4141 per maund (of 37.32 Kg each), lower from the previous week price of Rs. 4189. Average price for Shankar-6 (29 mm) was Rs.41883 per candy (of 355.6 kg each) during the week as against Rs. 41566 per candy previous week.

CCI has decided to procure 100 lakh bales of cotton in the coming season. Weak international demand and higher support price of cotton in India has made ginners and textile sector reluctant to buy the commodity this season.

Cotton prices have started rising from the past one week due to lower production estimates this year, erratic rainfall in some places of Madhya Pradesh and Maharashtra so far and pink bollworm attack on standing crops especially in Maharashtra may reduce the state's production by 5-6%. In Telangana, cotton crop is at flowering to square formation stage, sucking pest attack (below ETL level) noticed in Jangaom and Jagitial districts.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between **Rs. 5850-6150** per quintal during October 2019.