

Cotton Outlook – November 2018

World Scenario

Global 2018-19 cotton area and production are projected at 33.4 million hectares (82.00 million acres) and 121.7 million bales, which were nearly 2 and 1 percent less than that of 2017-18 estimates respectively. Cotton production in most of the major producing countries except Brazil and Pakistan is expected to decline. India is projected to produce 28.7 million bales of cotton in 2018-19, which was 1 percent less than the production in 2017-18, but still one of the country's largest crops on record. Although yield is expected to rebound above the 5-year average, a 4percent reduction in area is forecast in 2018-19. China is projected to produce 27.5 million bales of cotton in 2018-19. Meanwhile, production increases of 3.5 lakh bales for Brazil and 3.0 lakh bales for Pakistan in 2018-19 are projected to push their estimates to 10 and 8.5 million bales respectively.

International Price Movement

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

	Latest Value (Oct 11, 2018)	Latest Month (Sep 2018)	Last 12 Months (Oct '17-Sep '18)
NY Nearby	76.8	80.8	80.6
A Index	86.2	90.4	90.1
CC Index	105.2	108.3	110.9
Indian Spot	80.2	83.6	81.4
Pakistani Spot	78.4	80	78.9

Source: Cotton monthly economic letter, October 2018, www.cottoninc.com

International cotton prices remained slightly firm during the week. Cotlook A index weekly average stood 87.65 cents/pound this week, which was 87.37 cents/pound during last week. December Future 2018 contract closed at 86 cents per pound, while March Futures 2019 contract closed at 86.15 cents per pound and Cotlook A Index settled at 86 cents per pound. Indian cotton prices are 10 per cent lower than international prices. The 26-28 per cent raise in minimum support price for cotton for the season and more area under cultivation are expected to yield more.

As per the latest release from United States Department of Agriculture (USDA), Indian cotton exports for MY 2018/19 estimated at 4.3 million 480-lb bales (5.5 million 170-kg bales/936,000 MT), which is 100,000 480-lb bales lower than the official USDA estimate. As of June 2018, top cotton export destinations were Bangladesh, Pakistan, Vietnam, and China. Export shipments remained strong (65 percent higher) in April-July 2018 compared to April-July 2017, as Indian cotton prices remain very competitive on the international market.

Table 2: Top 10 Cotton Importing Countries from India during 2018-19

Importing Countries	Qty (Metric Tonnes)	Rs. Crore
Bangladesh	110318	2065.92
Pakistan	81603	983.33
China	74997	912.74
Vietnam	79834	882.97
Malaysia	23560	272.44
Indonesia	20178	228.36
Taiwan	17527	154.22
Thailand	11507	125.00
Belgium	5267	46.13
Turkey	3517	42.28
Top 10 Total	428308	5713.39
Other Countries	24573	266.57
Total	452881	5979.96
% Share of Top 10 Countries	94.57	95.54

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS)

India's cotton exports to China may see a fivefold jump to 4 million bales in the marketing year 2018-19 starting on Oct 1st as against 0.8 million tonnes in 2017-18, after China slapped a 25% additional duty on imports of the fibre from the US. Indian traders have already entered into a forward contract with Chinese buyers to deliver about 1.2 million bales between November & January.

Table 3: Domestic Cotton Demand and Supply (in lakh bales of 170 kg)

Supply			
	2016-17	2017-18	2018-19**
Opening Stock	36.5	30	20
Production	337.25	365	353
Imports	27	15	27
Total Supply	400.75	410	400
Demand			
Mill	265	275	280
Small Mill	27	30	35
Non Mill	15.75	15	20
Total Consumption	307.75	320	335
Exports	63	70	60
Total Consumption	370.75	390	395
Ending Stocks	30	20	5

Source: Agriwatch, ** 2018-19 projections

Cotton output in country during the season 2018-19 would be around 353 lakh bales (of 170 kg each) which are lower compared to production of last season. Following lower production, imports will rise marginally to 27 lakh bales compared to 15 lakh bales in previous season. Due to lower opening stock, imports and lower production of cotton availability would be standing lower this season at 400lakh bales compared to 410 lakh bales during the previous season.

Total domestic consumption (including mill, small mill and non-mill consumption) would be around 335 lakh bales compared to 320 lakh bales during the previous season. Cotton exports are expected to remain lower as that of previous year. It is expected that country would export around 60 lakh bales of cotton in the season 2017-18. Ending stocks are expected to be around 10 lakh bales, it is lower compared to the ending stocks of previous season.

Indian Scenario

As on 20th September 2018, the area covered under cotton during current season was 120.64 lakh hectares, which was 124.44 lakh hectares during corresponding period of last year.

Table 4: State wise area and production of cotton

State	2017-18		2018-19 Estimated	
	Area in lakh ha	Production in lakh bales	Area in lakh ha	Production in lakh bales
Andhra Pradesh	6.44	20.50	5.51	17.54
Gujarat	26.23	104.00	27.08	107.37
Haryana	6.69	22.50	6.65	22.37
Karnataka	5.46	18.00	5.48	18.07
Madhya Pradesh	6.03	20.50	6.97	23.70
Maharashtra	42.07	85.00	41.23	83.30
Odisha	1.45	3.50	1.57	3.79
Punjab	2.91	11.50	2.84	11.22
Rajasthan	5.84	22.00	4.96	18.68
Tamilnadu	1.85	5.50	0.21	0.62
Telangana	18.97	55.00	17.96	52.07
Others	0.50	2.00	0.17	0.68
India	124.44	370.00	120.64	358.70

Source: www.indiastat.com

Based on last year's average productivity, the estimated cotton production during 2018-19 would be 358.70 lakh bales. Among the states Gujarat may stand first with 107.37 lakh bales followed by Maharashtra (83.30 lakh bales) and Telangana (52.07 lakh bales), above three states combined contributing nearly 67% to total cotton production during 2018-19.

Domestic Trade information

The depreciating rupee has made cotton prices favorable for export and countries like China are already actively purchasing the produce. The current price for a candy is between Rs 45,000 and Rs 47,100 which makes it feasible for purchasers at local market yards even in erstwhile Adilabad to pay the farmers above the minimum support price of Rs 5,450 per quintal. All India daily arrivals remained 1,00,000 to 1,20,000 bales. Gujarat daily pressing was approximately 20,000 bales.

Cotton arrivals declined significantly in Maharashtra, the second-largest producer of the fibre crop, forcing ginning mills to operate at less than 30 per cent capacity as farmers held back stocks on expectations prices will rise. Farmers are waiting for prices to rise to offload stocks, while ginneries are going slowly on purchases, expecting rates to cool once the prices of cotton seed soften with growing arrivals. Raw cotton prices have increased to Rs. 5,850/ quintal in Maharashtra – more than the MSP for medium staple and long staple cotton of Rs 5,150/quintal and Rs 5,450/quintal, respectively.

Most of the cotton spot markets were noticed firm during last week of October. However, the price varies based on the quality and moisture content in the crop. Cotton prices are expected to be range bound till 2nd picking, after that expecting to remain firm in the long term. Average price of lint at Sirsa during the week was Rs.4598 per maund (of 37.32 Kg each), slightly lower compared to the previous week price of Rs. 4604. Cotton fiber (Shankar-6) prices noticed firm this week. Average price was Rs. 46766 per candy (of 355.6 kg each) during the week, which was Rs. 46620 per candy previous week.

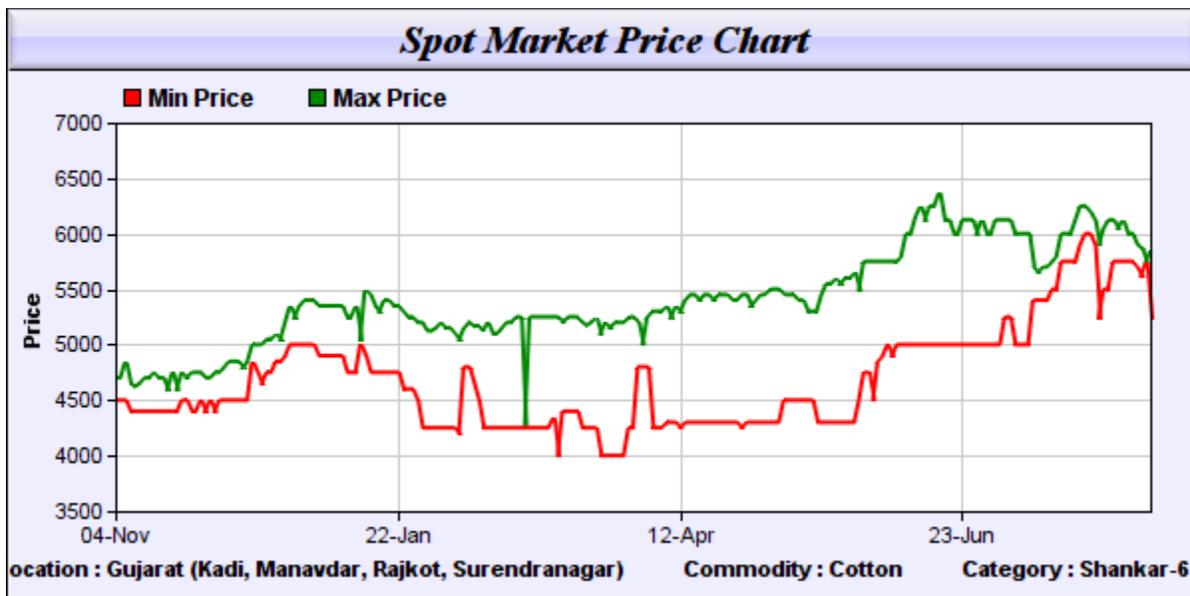


Fig 1: Cotton price in Gujarat from November 2017 to October 2018 (Rs /quintal)

Cotton in Telangana

As on 26th September 2018 the area under cotton was 17, 96,471 hectares as against 19, 09,275 hectares during corresponding period of last year. Among the districts, Nalgonda tops in cotton area coverage followed by Adilabad and Nagarkurnool. Except in Nalgonda and Sangareddy, all other districts area under cotton was reduced as compared to previous year. Telangana state is expected to harvest around 52 lakh bales of cotton in the current season.

Table 5: District wise area under cotton in Telangana

District	2017-18 (area in ha)	2018-19 (area in ha)	Change in area over last year	2018-19Expected Productionin thousand bales
Nalgonda	224955	231965	7010	672.53
Adilabad	146960	135249	-11711	392.12
Nagarkurnool	125967	113320	-12647	328.54
Khammam	108571	96701	-11870	280.36
Asifabad (K. bheem)	101373	92773	-8600	268.97
Sangareddy	83472	92728	9256	268.84
Mahabubnagar	80827	77697	-3130	225.26
Siddipet	86258	71497	-14761	207.29
Warangal (Rural)	80827	70087	-10740	203.20
Rangareddy	70172	68677	-1495	199.11
Other	799893	745777	-54116	2162.22
Total	1909275	1796471	-112804	5208.49

Source: www.agri.telangana.gov.in

Cotton Prices in Telangana

In Telangana, the cotton crop in over 1.30 lakh acres was hit by the rains. Adilabad and Warangal two major cotton growing districts were hit badly. Cotton arrivals started picking up in the Telangana market yards. The State government has started procurement operations in all 31 districts from October 10th onwards. Also cotton purchase centres were opened at 269 ginning mills.

In Telangana, 33,380.50 tonnes of cotton was traded in the month of October 2018. In Warangal major market 11,668 tonnes of cotton were traded in price range of Rs. 5100 – 5600 per quintal during October 2018. Cotton prices in Warangal market showed increasing trend in October month compared to last month. Because of demand from the domestic and international cotton markets, cotton was traded around and above MSP (Rs. 5450) in the month of October 2018.

Table 6: Prices and Arrivals of Cotton at Warangal Market in the Month of October 2018

Date	Arrivals (Tonnes)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
1	467.7	5350	5770	5550
3	472.9	5200	5615	5400
4	451.2	5150	5580	5350
5	485.3	5150	5560	5350
6	414.4	5000	5410	5200
8	985.1	4900	5305	5100
10	427.1	5150	5555	5300
11	650.6	5050	5440	5250
12	781.8	4600	5610	5250
13	790.4	5000	5700	5480
15	1616.9	5250	5710	5450
16	724.8	5350	5805	5550
22	622.4	5200	5625	5400
23	577.7	5200	5750	5600
24	635.1	5200	5725	5232
25	657.9	5200	5660	5600
26	907.1	5200	5690	5600

Source: <http://agrimarketing.telangana.gov.in/indexnew.jsp>

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between **Rs.5150 - 5550** per quintal during November 2018.