

Cotton Outlook – August 2018

World Scenario

Global 2018-19 cotton area and production are projected at 32.8 million hectares (81.1 million acres) and 120.1 million bales, which was 3 and 2 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.

In 2018-19, the top five cotton-producing countries are forecast to account for more than 76% of total production. India may remain as the largest cotton producer contributing 24% of the 2018-19 global crop estimate, while China is projected to account for 22%, the United States nearly 15.5%, Brazil 8% and Pakistan 7%.

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. Although yield is expected to rebound above the 5-year average, a 4 percent reduction in area is forecast in 2018-19. For China, cotton production is projected to decline by 1 million bales to 26.5 million bales as compared to 2017-18 due to both area and yield reductions. Meanwhile, production increases of 300,000 bales each for both Brazil and Pakistan in 2018-19 are projected to push their estimates to 9.5 and 8.5 million bales respectively.

International Price Movement

New York Futures and the A Index moved sharply lower in the middle of June, erasing gains made earlier that month. The CC Index decreased in June and early July. Indian prices were comparatively stable in USD terms. Pakistani prices were stable in June, but increased in early July.

Table 1: International Price of Cotton Cents/ lb Bale

Cents/lb	Latest Value (Jul 12, 2018)	Latest Month (Jun 2018)	Last 12 Months (Jul 2017-Jun 2018)
NY Nearby	89.2	89.2	77
A Index	94.4	97.7	87
CC Index	110.4	115.8	110.8
Indian Spot	88.6	87.1	80.5
Pakistani Spot	84.2	77.2	75.9

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

Indian Scenario

As on 3rd August 2018, the area covered under cotton during current season was 109.79 lakh hectares (Bt Cotton 99.16 lakh ha and Non-Bt Cotton 13.63 lakh ha), which was 114.34 lakh hectares during corresponding period of last year. Higher area coverage than the previous year of corresponding season was reported in the states of and Haryana (+0.09 lakh ha) and Odisha (+ 0.07lakh ha), while lower area coverage than the previous year of corresponding season was reported in the states of Maharashtra (-2.71 lakh ha), Gujarat (- 0.81 lakh ha), Madhya Pradesh (-0.52 lakh ha), Telangana (-0.61 lakh ha), Punjab (-1.01 lakh ha), Andhra Pradesh (-0.31 lakh ha), Rajasthan(-0.07 lakh ha), Karnataka (-0.53 lakh ha) and Tamil Nadu (- 0.02 lakh ha).

As per the sources, the pink bollworm has again attacked the cotton in the main cotton growing areas in Vidarbha and Marathawada region of Maharashtra. In Andhra Pradesh, pink bollworm and sucking pests have been reported in cotton crop at below ETL in the districts of Krishna, Kadapa, Ananthapur and Kurnool districts.

In Punjab, Haryana and Rajasthan harvesting will begin at the end of August or in the month of September, while in other cotton growing states like Gujarat, Maharashtra, Madhya Pradesh, Telangana, Karnataka and Andhra Pradesh will start in October month.

Domestic Cotton Balance Sheet

As per the latest estimates by CAI and Agriwatch, cotton output in the country during 2018-19 season would be around 353 lakh bales (of 170 kg each) which is lower compared to production of last season.

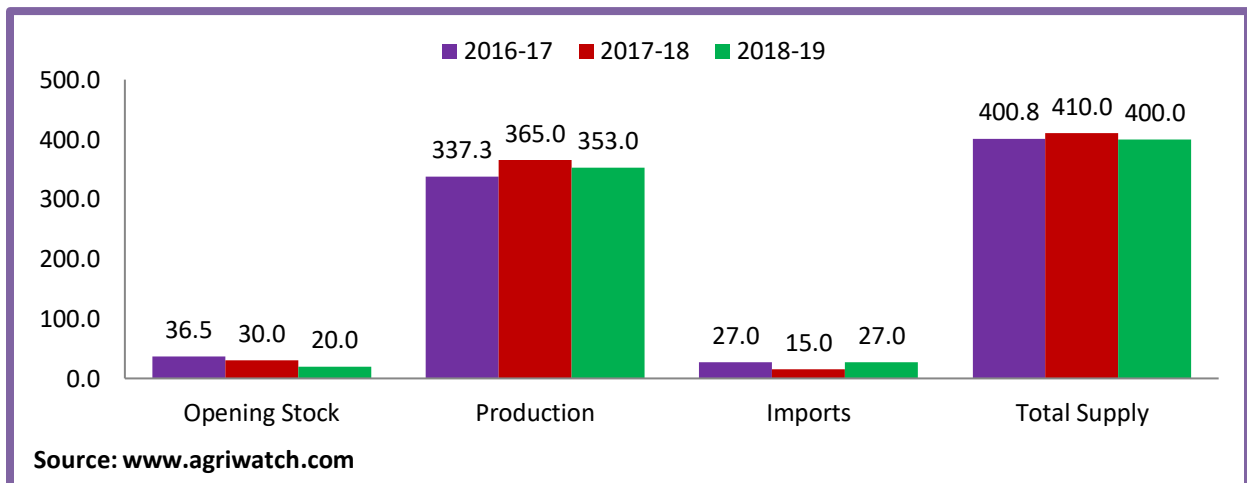


Fig 1: Domestic Cotton Supply (lakh bales of 170 kg each)

Following lower production, imports will rise marginally to 27 lakh bales compared to 15 lakh bales in previous season. Due to lower opening stocks, imports and lower production of cotton, availability would be standing lower this season at 400 lakh bales compared to 410 lakh bales during the previous season.

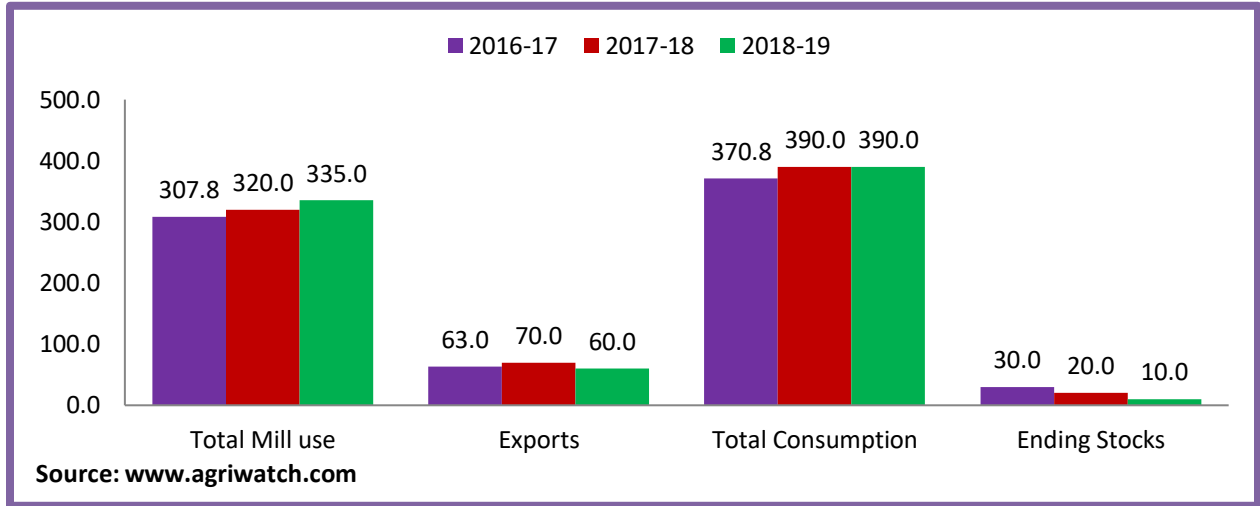


Fig 2: Domestic Cotton Demand (lakh bales of 170 kg each)

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 than that of previous year. It is expected that country would export around 60 lakh bales of cotton in the season 2018-19. Ending stocks are expected to be around 10 lakh bales, which is lower than the ending stocks of last year.

Domestic Arrivals of Cotton

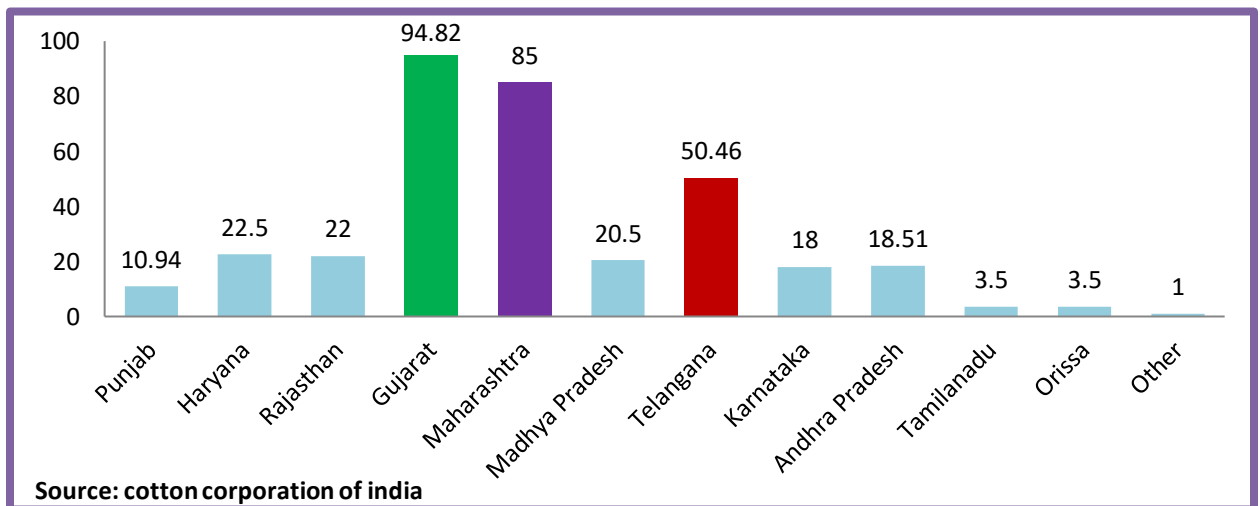


Fig 3: Cotton Arrivals at Major Cotton Assembling Areas in India up to 17th July 2018 (in lakh bales of 170 Kg each)

During 2017-18 harvesting season (up to July 2018), highest arrivals were associated with Gujarat (94.82 lakh bales) followed by Maharashtra (85 lakh bales) and Telangana (50.46 lakh bales) contributing nearly 65% to total production by these three states.

Domestic Prices of Cotton

Kapas (seed cotton) prices in the country were slightly higher in July months compared to the previous months with exhausted arrivals of 2017-18 output. Cotton price was above Rs.5500 per quintal in all major producing states except Telangana, where it is restricted to Rs. 4320 at Adilabad during the month of July.

Table 2: Weekly Average Prices of Cotton in all Major Markets of India

State	KAPAS						First week of August 18
	Market	Variety	First week of July 18	Second week of July 18	Third week of July 18	Last week of July 18	
Gujarat	Ahmadabad	Shankar-6	6075	6000	NA	NA	NA
	Gondal	Shankar-6	6074	6118	6258	5953	NA
	Rajkot	B.T. Cotton	6103	6207	6324	6348	6345
	Patan	B.T. Cotton	NA	NA	NA	NA	NA
	Kadi	B.T. Cotton	NA	NA	NA	NA	NA
	Dhrol	B.T. Cotton	5605	5785	5520	5955	5955
Haryana	Bhiwani	B.T. Cotton	5900	5950	5960	5940	5940
	Adampur	B.T. Cotton	NA	NA	NA	NA	NA
	Fatehabad	B.T. Cotton	5814	5808	5902	5851	5851
	Jind	B.T. Cotton	NA	NA	NA	NA	NA
	Dabwali	B.T. Cotton	NA	NA	NA	NA	NA
Maharashtra	Amravati	Mech-1	NA	NA	NA	NA	NA
Telangana	Adilabad	Un-Ginned	4230	4230	4320	4320	4320
Karnataka	Bijapur	Bunny	6167	6252	6530	NA	6495
	Raichur	H-44 Cotton	5663	5650	NA	NA	5952

Source: www.agriwatch.com

Cotton in Telangana

Telangana is the one of largest cotton producing states in India that has occupied 19.09 lakh hectares during 2017-18. As on 1st August 2018 the area under cotton was 16,86,565 hectares as against 17,47,063 hectares during corresponding period of last year.

The crop is at vegetative stage in almost all major cotton growing districts and pink bollworm infestation was observed in Medak and Vikarabad districts.

Cotton Prices in Telangana

Cotton prices in major markets of Telangana state showed a declining trend from January to middle of March and again started increasing from mid of April to last week of July 2018. At present, the cotton price in major markets of Telangana is ranging between Rs. 4320 – 5400 per quintal.

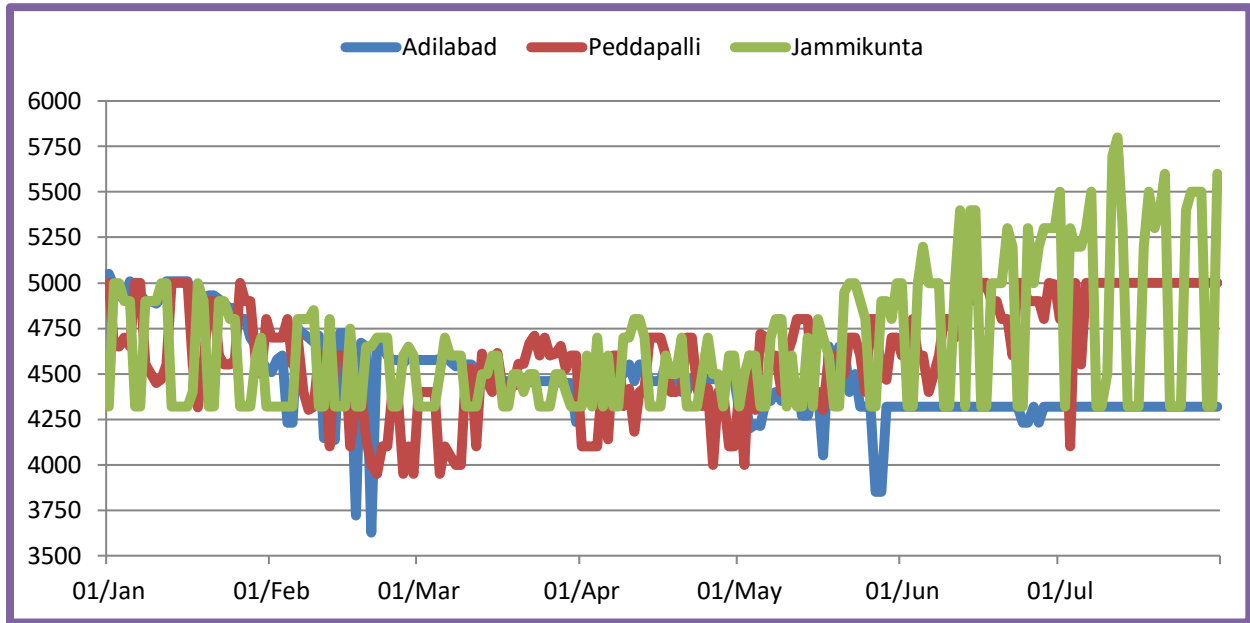


Fig 4: Prices of Cotton in major Markets of Telangana during January to July 2018 (Rs/q)

The reduction in global and national production estimate, domestic opening stocks, area under cotton and higher import estimates coupled with increased estimate of domestic consumption and MSP (from Rs. 4320 to Rs. 5450/q) for cotton may boost the domestic cotton prices during the year 2018-19.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between Rs.4600-5200 per quintal during August2018.