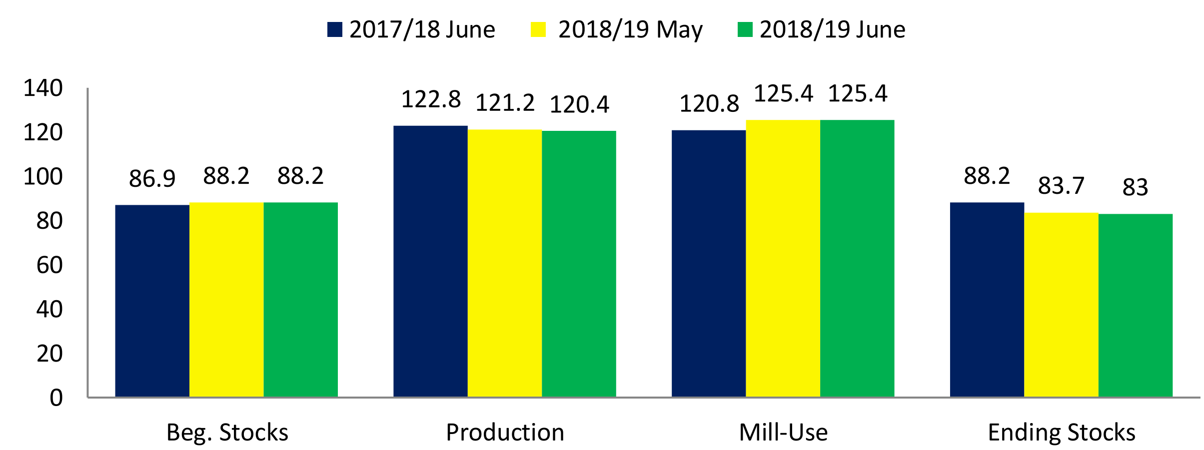
Cotton Outlook – July 2018

World Scenario

World cotton production forecast for 2018/19 is down with declines for China, Pakistan and Australia partially offset by an increase for Brazil. Consumption and trade forecasts are effectively unchanged. 2017-18 production was raised slightly due to increases in Brazil and Australia, while use was effectively unchanged. However, global trade was up, with higher exports for the United States and India accompanied by higher imports by Vietnam, Turkey, and China.

This month's USDA report featured a reduction in the forecast for 2018/19 global production (-790,000 from 121.2 to 120.4 million 480 lb bales) and a marginal change in the global mill-use forecast (-85,000 holding at 125.4 million 480 lb bales), while beginning stocks unchanged. For this month ending stocks remain by virtually the same amount as there is reduction in the production number (-725,000 from 83.7 to 83.0 million 480 lb bales).



Source: Cotton Monthly Economic Letter, June 2018, www.cottoninc.com

Fig 1: World Cotton Balance Sheet (in million 480 lb bales)

At the country-level, the large changes in 2018/19 harvest expectations were for China (-500,000 bales, from 27.0 to 26.5 million 480 lb bales), Pakistan (-300,000 from 8.8 to 8.5 million 480 lb bales), Australia (-200,000 from 4.0 to 3.8 million 480 lb bales), and Brazil (+200,000 from 8.8 to 9.0 million 480 lb bales). Despite continued hot and dry conditions in the important West Texan region, no change was expected with regard to 2018-19 U.S production forecasts.

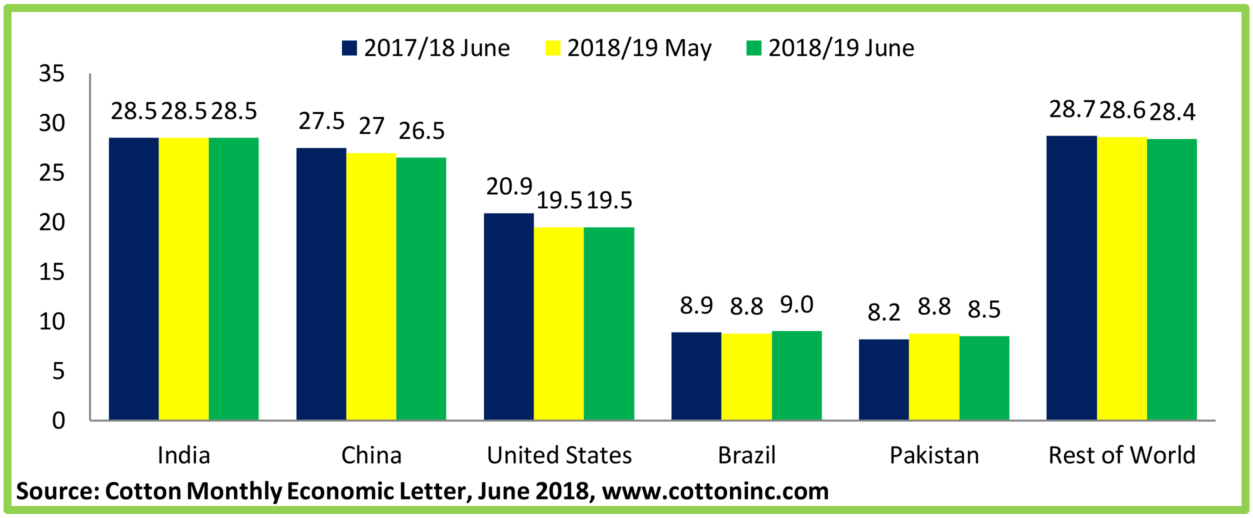


Fig 2: World Cotton Production (in million 480 lb. bales)

For mill-use, the largest country-level revisions to 2018/19 forecasts were for South Korea (- 225,000 from 1.0 to 0.8 million 480 lb bales), Uzbekistan (+100,000 from 2.7 to 2.8 million 480 lb bales), and Vietnam (+100,000 from 7.4 to 7.5 million 480 lb bales).

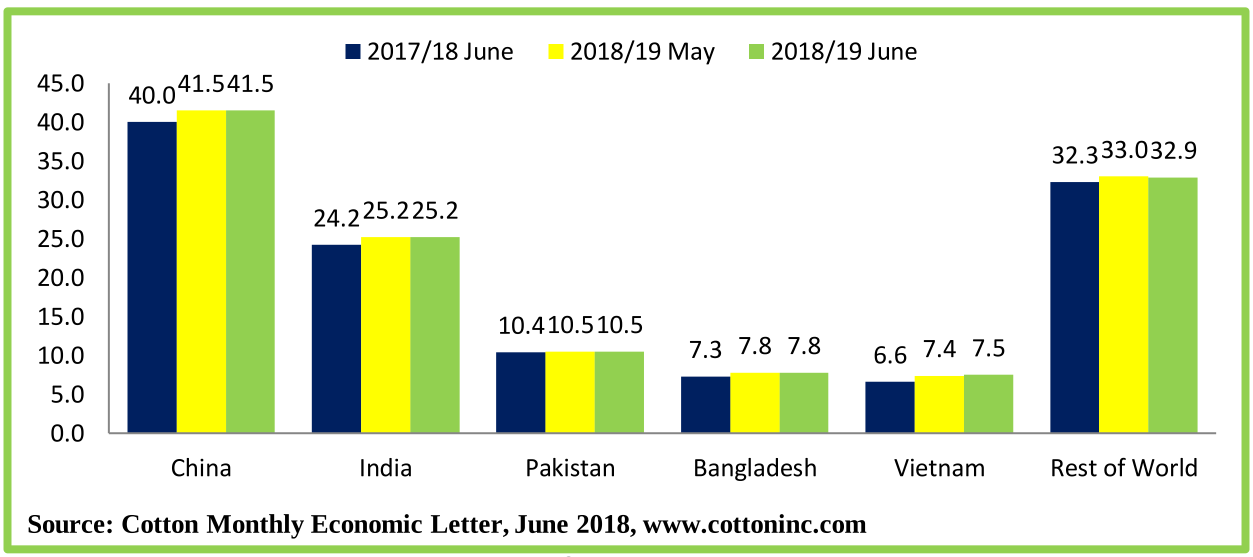
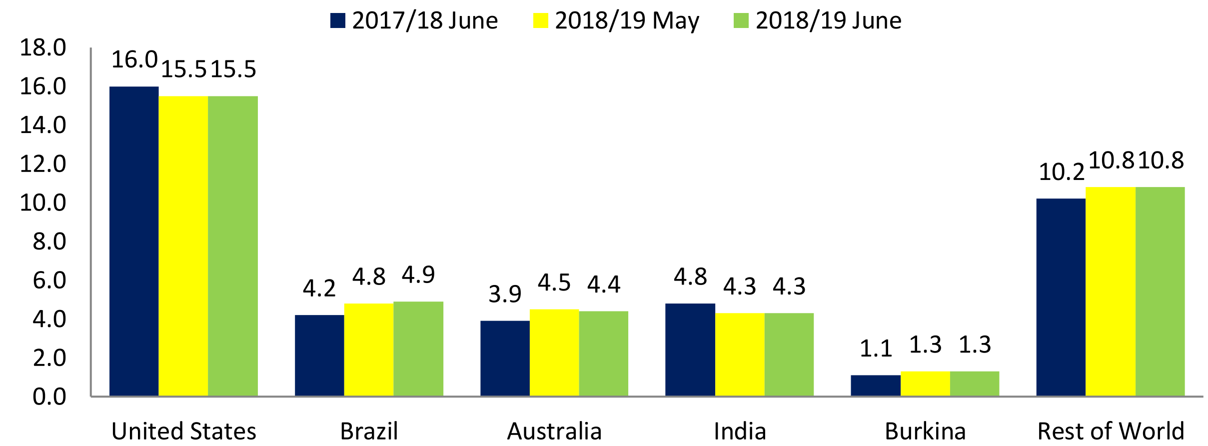


Fig 3: Global Mill Use of Cotton (in million 480 lb. bales)

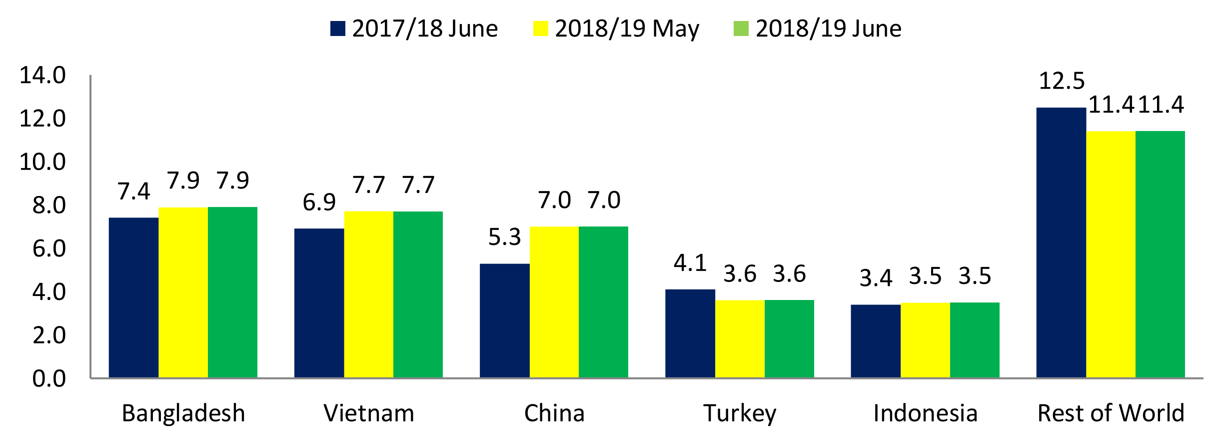
For exports, notable revisions to 2018/19 projections were for Australia (-100,000 from 4.5 to 4.4 million 480 lb bales) and Brazil (+100,000 from 4.8 to 4.9 million 480 lb bales). For 2017-18 export figures, the largest changes were for Uzbekistan (-200,000 from 1.3 to 1.1 million 480 lb bales), Kazakhstan (+140,000 from 140,000 to 280,000million 480 lb bales), India (+250,000 from 4.5 to 4.8 million 480 lb bales), and the U.S. (+500,000 from 15.5 to 16.0 million 480 lb bales).



Source: Cotton Monthly Economic Letter, June 2018, www.cottoninc.com

Fig 4: Global Cotton Exports(in million 480 lb. bales)

For imports, the only notable revisions to 2018/19 projections were for South Korea (-225,000, from 1.0 to 0.8 million 480 lb bales) and Pakistan (+100,000 from 2.1 to 2.2 million480 lb bales). For 2017/18 import figures, the largest changes were for China (+200,000 bales, from 5.1 to 5.3 million480 lb bales), India (+100,000 from 1.7 to 1.8 million480 lb bales), and South Korea (-125,000 from 1.0 to 0.9 million480 lb bales).



Source: Cotton Monthly Economic Letter, June 2018, www.cottoninc.com

Fig 4: Global Cotton Imports (in million 480 lb. bales)

Indian Scenario

India the largest cotton producing country is forecast to reduce its 2018/19 cotton area by 500,000 hectares (1.2 million acres), as alternative crops are expected to be more profitable for the upcoming season. Despite the projected area reduction, cotton production in India is forecast to equal last season's 28.5 million bales, as the national yield rebounds from 2017's below average level

As on 29th June 2018,the area covered under cotton during current season was 32.20 lakh hectares (29.07 lakh ha. Bt Cotton and 3.12 lakh ha Non-Bt Cotton),which was 46.10 lakh hectares during corresponding period of last year.

Higher area coverage than the previous year of corresponding season was reported in the states of Rajasthan (+1.21 lakh ha) and Haryana (+0.98 lakh ha), while lower area coverage than the previous year of corresponding season was reported in the states of Maharashtra (-5.28 lakh ha), Gujarat (- 4.45 lakh ha), Madhya Pradesh (-1.82 lakh ha), Telangana (-1.61 lakh ha), Punjab (-1.34 lakh ha), Andhra Pradesh (-0.57 lakh ha), Odisha (-0.22 lakh ha), Karnataka (-0.18 lakh ha) and Tamil Nadu (-0.07 lakh ha).

For kharif 2018, Government has announced a minimum support price of Rs. 5150 and Rs. 5450 for medium and long staple cottons respectively, which was higher by Rs. 1130 over that announced for previous season.

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

Supply	2016-17 Total	2017-18 Total	Oct to Dec 2017	Jan to Mar 2018	Apr to June 2018	July to Sept 2018
Opening Stock	36.50	30.00	30.00	97.06	163.23	109.84
Production	337.25	362.00	163.8	152.88	34.76	15.56
Imports	27.00	22.00	3.00	9.00	4.00	6.00
Total Supply	400.75	414.00	196.8	258.94	201.99	131.40

Source: www.agriwatch.com

As per the latest estimates of Cotton Association of India, cotton output in country during the season 2017-18 was around 362 lakh bales (of 170 kg each) which is higher than the production of last season. Following higher production, cotton imports were declined to 22 lakh bales as against 27 lakh bales during previous season. Due to lower opening stock, imports, and higher production of cotton, availability stood higher this season at 414 lakh bales compared to 400 lakh bales during the previous season.

Total domestic consumption (including mill, small mill and non-mill consumption) was around 320 lakh bales compared to 307 lakh bales during the previous season. Cotton exports were also higher than that during previous year. Ending stocks are expected to be around 24 lakh bales, which is lower than that during previous season.

Table2: Domestic and International Demand of Cotton During 2017-18 (lakh bales of 170 kg each)

Demand	2016-17 Total	2017-18 Total	Oct to Dec 2017	Jan to Mar 2018	Apr to June 2018	July to Sept 2018
Mill	265.00	275.00	65.53	69.77	70.45	69.63
Small Mill Use	27.00	30.00	6.86	7.50	7.85	7.70
Non Mill Use	15.75	15.00	3.75	3.75	3.75	3.75
Total Use	307.75	320.00	76.14	81.02	82.05	81.08
Exports	63.00	70.00	23.60	14.70	10.10	6.60
Total Consumption	370.75	390.00	99.74	95.72	92.15	87.68
Ending stocks	30.00	24.00	97.06	163.23	109.84	43.71

Source: www.agriwatch.com

Domestic Prices of Cotton

Kapas (seed cotton) prices in the country were slightly higher in June month as compared to the May and the same is ruling higher as compared to the prices during the corresponding month of the previous season. Cotton price was above Rs.5000 per quintal in all major producing states except Telangana, where it is restricted to Rs. 4320 at Adilabad during the month of June.

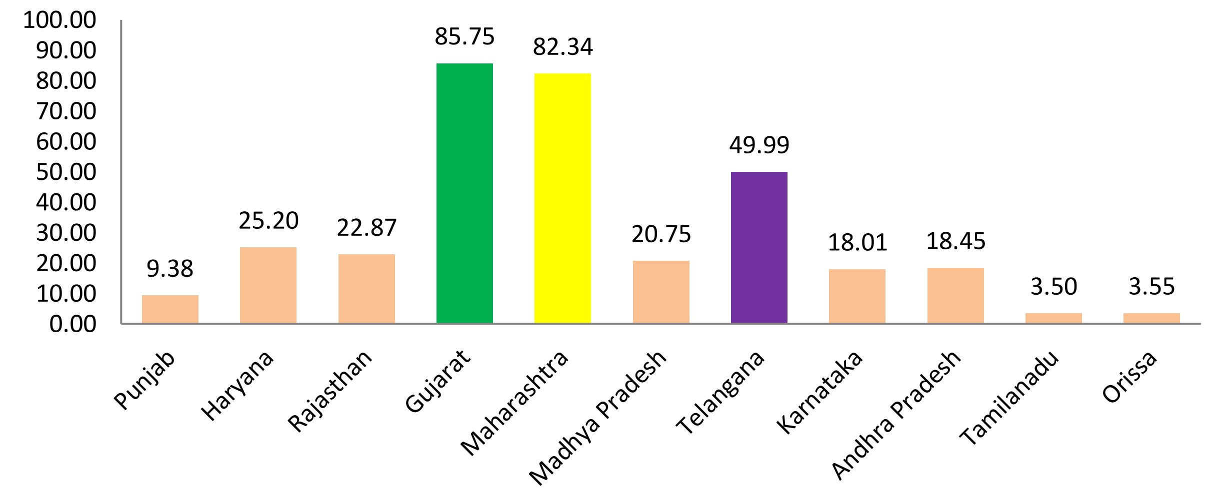
Table 3: Weekly Average Prices of Cotton in all Major Markets of India

State	KAPAS						
	Market	Variety	Last week of May 18	First week of June 18	Second week of June 18	Third week of June 18	Last week of June 2018
Gujarat	**Ahmadabad**	**Shankar-6**	5667	5758	6129	6175	6075
	Gondal	**Shankar-6**	5430	5691	6187	6310	6109
	Rajkot	**B.T. Cotton**	5493	5780	6291	6354	6170
	Patan	**B.T. Cotton**	NA	NA	NA	NA	NA
	Kadi	**B.T. Cotton**	5190	5380	5500	NA	NA
	Dhrol	**B.T. Cotton**	5248	5247	5733	5768	5705
Haryana	**Bhiwani**	**B.T. Cotton**	5300	5471	5858	5860	5700
	Adampur	**B.T. Cotton**	5270	NA	5727	5778	5643
	Fatehabad	**B.T. Cotton**	5303	5491	5888	5816	5864
	Jind	**B.T. Cotton**	NA	NA	NA	NA	NA
	Dabwali	**B.T. Cotton**	NA	NA	NA	NA	NA
Maharastra	**Amravati**	**Mech-1**	5250	NA	NA	NA	NA
Telangana	**Adilabad**	**Un-Ginned**	4346	4320	4320	4320	4320
Karnataka	**Bijapur**	**Bunny**	5577	5815	6022	6167	5000
	Raichur	**H-44 Cotton**	5294	5428	5557	56538	5703

Source: www.agriwatch.com

Domestic Arrivals of Cotton

During 2017-18 harvesting season (up to June 2018), highest arrivals were associated with Gujarat (85.75 lakh bales of 170 kg) followed by Maharashtra (82.34 lakh bales of 170 kg) and Telangana (49.99 lakh bales of 170 kg) contributing nearly 63% to total production by these three states.



Source: www.cotcorp.gov.in (in lakh bales of 170 kg)

Fig 4: Cotton Arrivals at Major Cotton Assembling Areas in India up to 26th June 2018

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 27th June 2018 the area under cotton was 5,78,847 hectares in the state as against 8,81,384 hectares during corresponding period of last year.

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 June 2018. At present, the cotton price in major markets of Telangana is ranging between Rs. 4320 – 5250 per quintal.

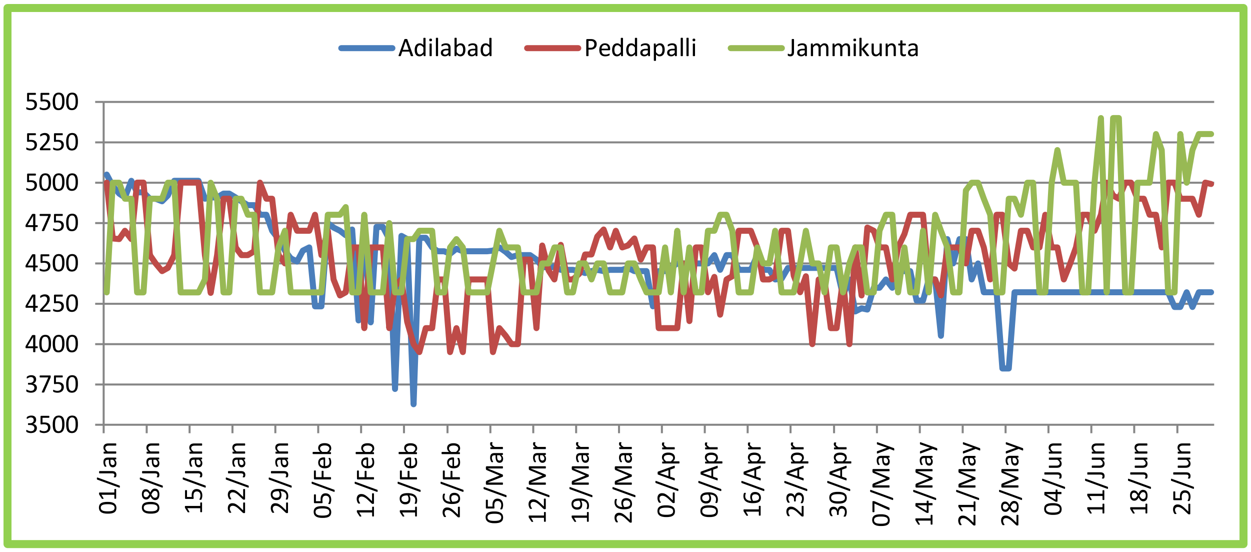


Fig 8: Prices of Cotton in major Markets of Telangana during January to June 2018 (Rs/q)

According to trade sources, the ginning mills in Gujarat are running with very low stocks of cotton and only few mills have 10 to 60 days stocks as per their financial capacity. Even if one considers 35-40 days average stock with Gujarat mills, it implies that current stock will run up to 30th July. Cotton exports crossed 65 lakh bales up to 17th June and still there is good demand for Indian cotton in international market. Everyday 5-10 thousand bales are being exported.

Under significant rise in MSP for cotton and expected decline in area coverage during the current season, Agricultural Market Intelligence Centre, PJTSAU expect that cotton may likely to trade in price range between **Rs.4500 - 5000** per quintal during July 2018.