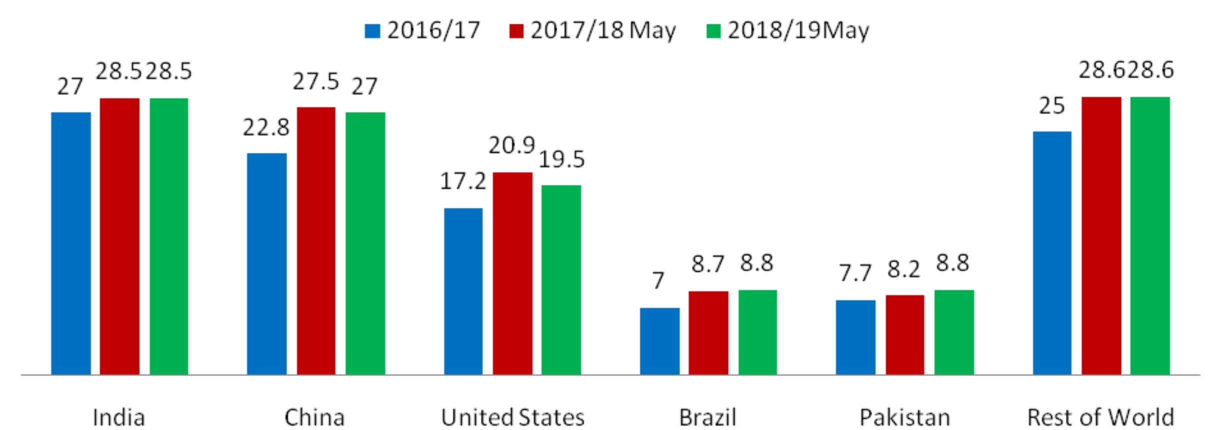
Cotton Outlook – June 2018

World Scenario

As per the USDA's initial projection for the year 2018/19 global cotton production would be around 121.2 million bales, which is 1.2 million bales below over the 2017/18 estimate. Global area is forecast at 33.0 million hectares (81.5 million acres), marginally below than 2017/18 but 3 percent above the 5-year average.

China is forecast to produce 27.0 million bales of cotton in 2018/19, which is about 2 percent below than the previous season but still one of the largest in recent years. Area is expected lower in 2018/19, at 3.35 million hectares (8.3 million acres), as Government policies have reduced support for cotton farmers while production costs have risen.



Source: Cotton Monthly Economic Letter May 2017, www.cottoninc.com

Fig 1: World Cotton Production during May 2018-19 (in million 480 lb. bales)

Cotton production in Australia is seen lower for 2018/19 but is largely offset by increases for Pakistan and Brazil. In Australia, 2018/19 production is projected to decrease 800,000 bales from a year earlier to 4.0 million bales; the 2017/18 crop was the largest since 2011/12. For Pakistan, higher area and a yield similar to 2017/18 are projected to increase production there to 8.8 million bales (+600,000 bales) to its highest in 4 years. Likewise, cotton production in Brazil is forecast at 8.8 million bales (+100,000 bales), the largest crop since 2010/11 as larger area more than offsets a lower yield.

The global increase in mill-use is expected to result from growth across a broad range of countries. The largest gains are expected in China (+1.5 million 480 lb. bales, from 40.0 to 41.5 million 480 lb. bales), India (+1.0 million 480 lb. bales, from 24.2 to 25.2 million 480 lb. bales), Vietnam (+800,000, from 6.6 to 7.4 million 480 lb. bales), Bangladesh (+500,000, from 7.3 to

7.8 million 480 lb. bales), Uzbekistan (+300,000, from 2.4 to 2.7 million 480 lb. bales), and Turkey (+200,000, from 7.2 to 7.4 million 480 lb. bales).

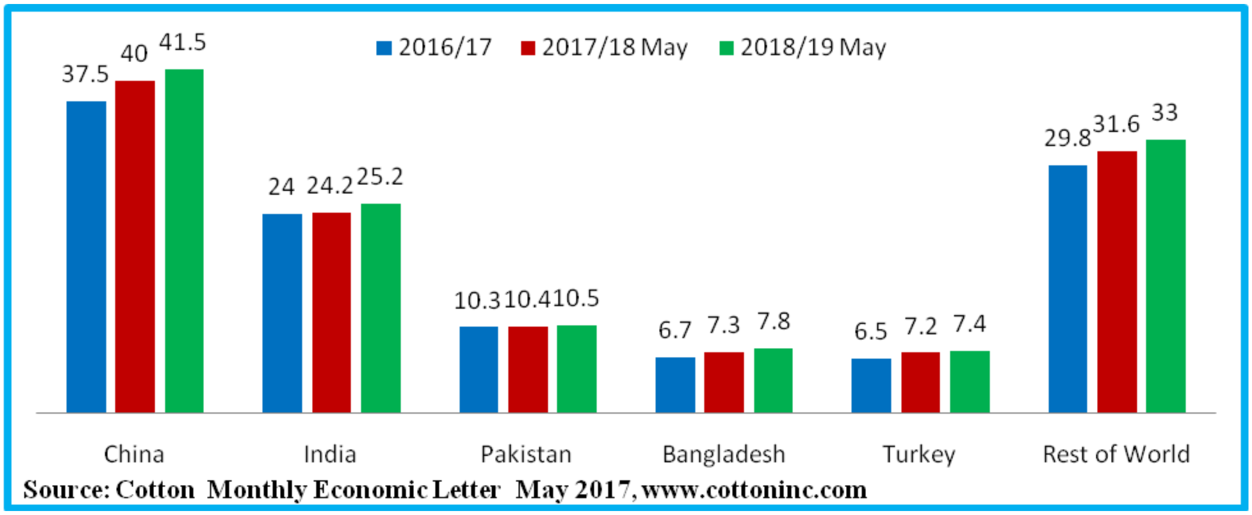


Fig 2: Global Mill Use of Cotton during May 2018-19 (in million 480 lb. bales)

Global cotton trade is forecast to rise from 39.2 in 2017/18 to 41.1 million bales in 2018/19. The largest year-over-year changes to imports are forecast for China (+1.9 million bales, from 5.1 to 7.0 million), Vietnam (+1.1 million, from 6.8 to 7.7 million), and Bangladesh (+500,000, from 7.4 to 7.9 million). With bigger domestic harvests, decreases are expected in Pakistan (-800,000 bales, from 2.9 to 2.1 million) and Turkey (-350,000, from 4.0 to 3.6 million).

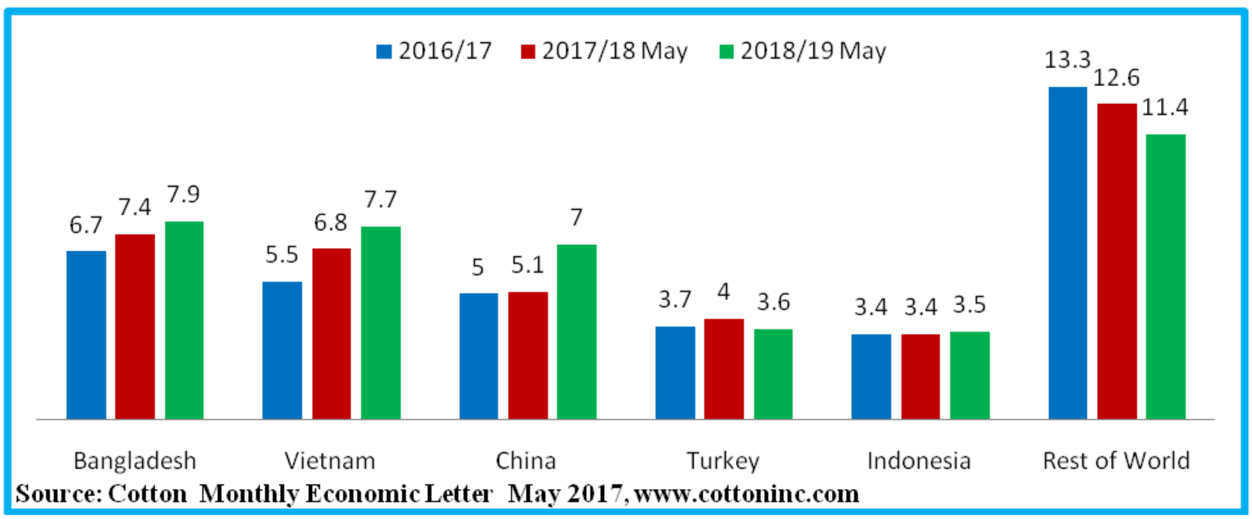
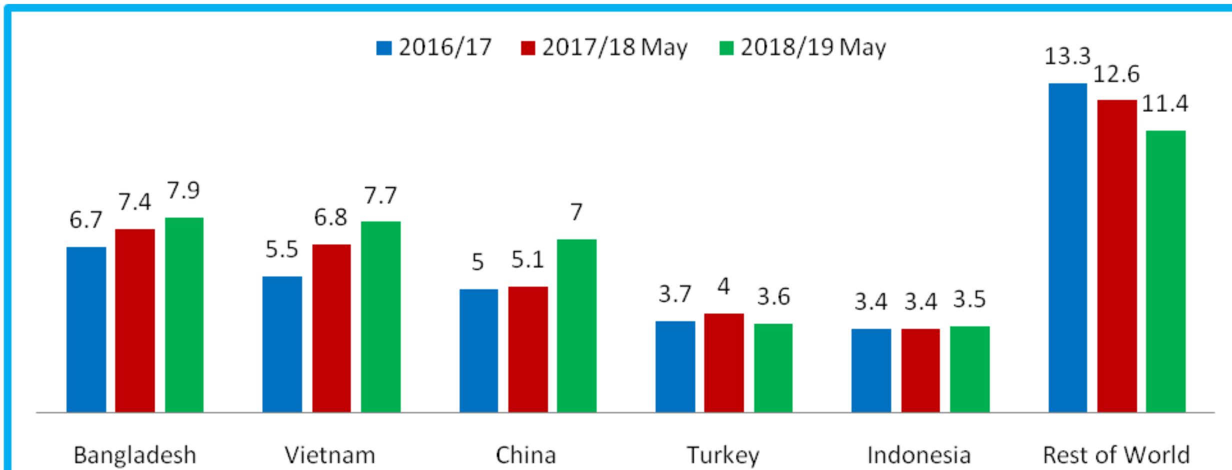


Fig 3: Global Cotton Imports during May 2018-19 (in million 480 lb. bales)

The largest year-over-year changes to exports in 2018/19 are forecast for Australia (+600,000, from 3.9 to 4.5 million 480 lb. bales), Brazil (+600,000 bales, from 4.2 to 4.8 million 480 lb. bales), and the African Franc Zone (+400,000 bales, from 4.1 to 4.4 million 480 lb.

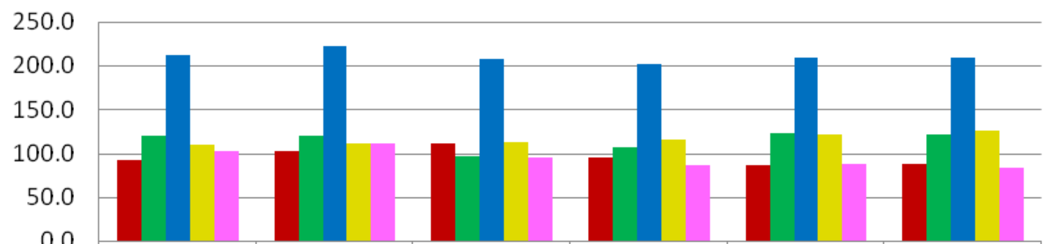
bales). Decreases are projected for Uzbekistan (-300,000 bales, from 1.3 to 1.0 million 480 lb. bales) and India (-200,000 bales, from 4.5 to 4.3 million 480 lb. bales).



Source: Cotton Monthly Economic Letter May 2017, www.cottoninc.com

Fig 4: Global Cotton Exports during May 2018-19 (in million 480 lb. bales)

World Balance Sheet of Cotton



	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Beginning Stocks	92.0	103.0	110.8	95.0	86.9	88.2
Production	120.4	119.2	96.2	106.7	122.4	121.2
Supply	212.4	222.3	207.0	201.7	209.4	209.4
Mill-Use	110.0	111.8	112.2	114.8	120.7	125.4
Ending Stocks	103.0	110.8	95.0	86.9	88.2	83.7

Source: Source: Cotton Monthly Economic Letter May 2017, www.cottoninc.com

Fig 5: World Cotton Balance Sheet May 2018 (in million 480 lb bales)

In May 2018, the USDA releases its first complete set of forecasts for an upcoming crop year. Projections suggest that the world production in 2018/19 will be 121.2 million bales, a marginal decrease relative to the 122.4 million bales grown in 2017/18. Global mill-use is expected to increase 4% (from 120.7 million bales in 2017/18) and reach 125.4 million bales in 2018/19. If realized, this would be the highest level of consumption ever (current record of 124.2

million was set in 2006/07). World ending stocks are projected to decrease (-4.5 million bales, from 88.2 to 83.7 million bales).

Indian Scenario

According to the USDA, 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.

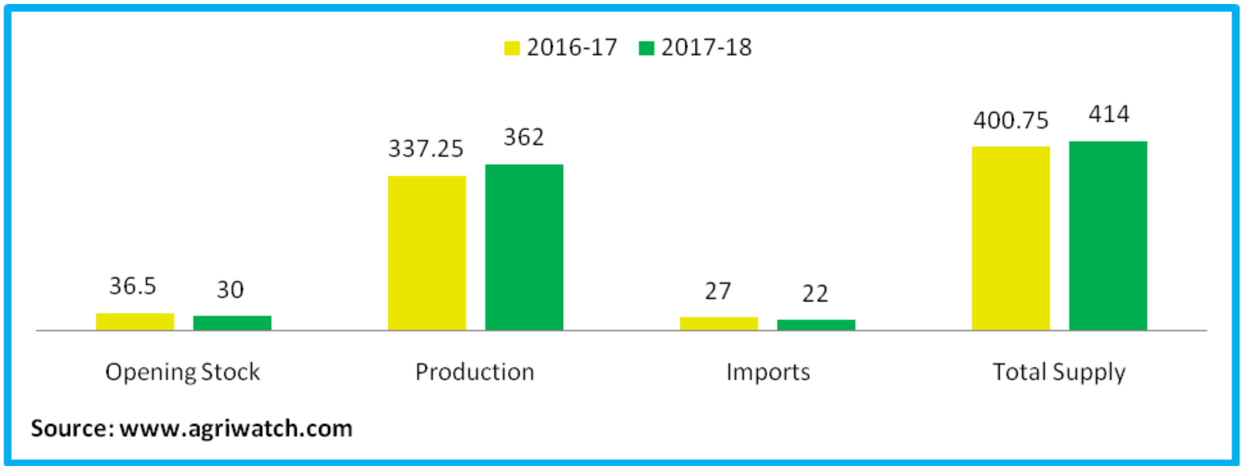


Fig 6: Domestic Cotton Supply During 2017-18 (lakh bales of 170 kg each)

As per the latest estimates by CAI, cotton output in country during the season 2017-18 was around 362 lakh bales (of 170 kg each) which is higher compared to production of last season. Following higher production, cotton imports were declined to 22 lakh bales compared to 27 lakh bales in 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.

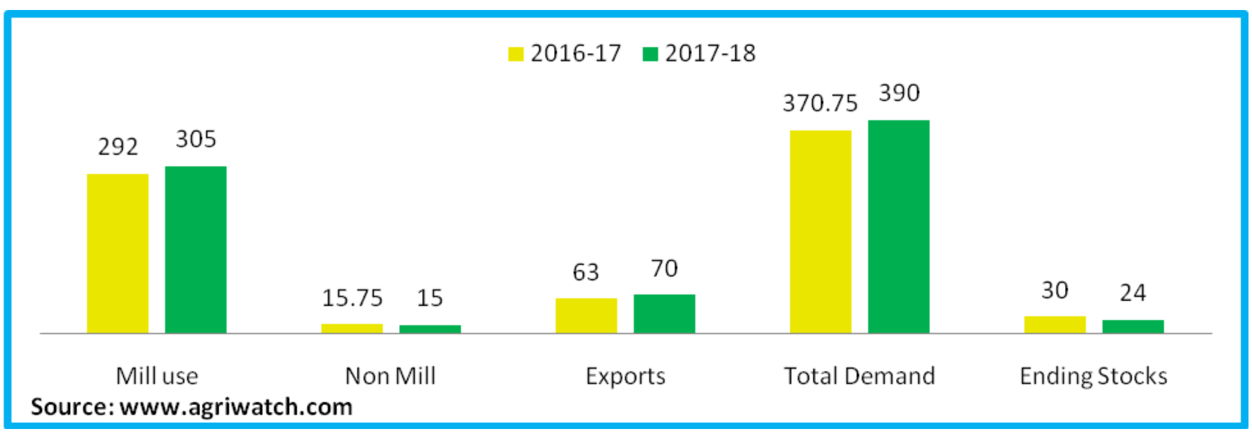


Fig 7: Domestic and International Demand of Cotton During 2017-18 (lakh bales of 170 kg each)

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 are higher as that of previous year. Ending stocks are expected to be around 24 lakh bales, which is lower compared to the ending stocks of previous season.

Domestic prices of Cotton

Kapas (seed cotton) prices in country noticed firm tone during the May month when compared to the previous month, and the same is ruling higher compared to the prices during the corresponding month of the previous season. The prices of cotton ranged between Rs.5000 – 5550 per quintal in all major producing states except in Telanagana, where it is restricted to the range of Rs 4300 – 4600 at Adilabad market.

Table 1: Weekly Average Prices of Cotton in all Major Markets of India during May 2018

State	KAPAS					
	Market	Variety	26th April to 3rd June 18	5th to10th May 18	10th to 17th May 18	18th to 24th May 18
Gujarat	Ahmedabad	Shankar-6	5420	5475	5358	5550
	Gondal	Shankar-6	5273	5313	5252	5283
	Rajkot	B.T. Cotton	5396	5460	5422	5468
	Patan	B.T. Cotton	5517	5508	5304	5260
	Kadi	B.T. Cotton	5230	5258	5177	5196
	Dhrol	B.T. Cotton	4928	4921	5145	5168
Haryana	Bhiwani	B.T. Cotton	5030	5088	5138	5186
	Adampur	B.T. Cotton	4880	NA	NA	5062
	Fatehabad	B.T. Cotton	5056	NA	5064	5010
	Jind	B.T. Cotton	950	5152	NA	NA
	Dabwali	B.T. Cotton	4778	NA	NA	NA
Maharashtra	Amravati	Mech-1	5054	5225	5220	5254
Telangana	Adilabad	Un-ginned	4450	4475	4460	4600
Karnataka	Bijapur	Bunny	5374	5476	5248	5420
	Raichur	H-44 Cotton	5088	5220	5225	5289

Source: www.agriwatch.com

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 May 2018. At present, the cotton price in major markets of Telangana ranged between Rs 4320 – 5000 per quintal, higher than the Minimum Support Price.

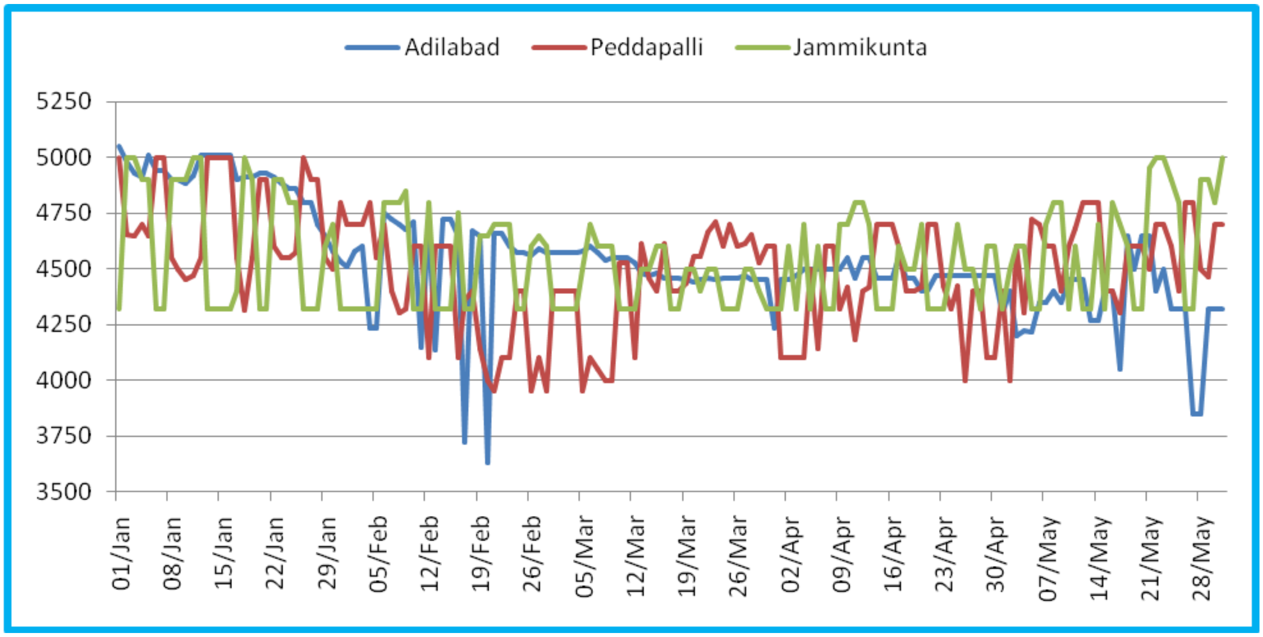


Fig 8: Prices of Cotton in major Markets of Telangana during January to May 2018 (Rs/q)

In 2017/18, world cotton production is estimated at 26.6 million tonnes while world mill use is projected at 25.5 million tonnes, which represents the growth in demand for cotton. As a result, world ending stocks are forecasted to decrease to 18.3 million tonnes representing of diminishing global reserves.

India is expected to export 7.5 million bales of cotton a 30% year on year rise. Till now from Oct 1st 2017 India has exported 6.3 billion bales of cotton as against 5.82 million bales during last year. Indian cotton is cheaper by 6-8 cents per pound in Vietnam and Bangladesh on CIF basis. According to the latest data from the Department of Agriculture and Cooperation, cotton sowing in India has so far come down by 30 per cent to 7.82 lakh ha from 11.24 lakh hectare during corresponding period of last year. The precariously low water storage levels in reservoirs used for irrigation could be one of the main reasons for tepid improvement in sowing.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between **Rs.4300-4850** per quintal during June 2018.