Cotton Outlook – February 2019

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 4 percent 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 (11th January)	Latest Month (December 2018)	Last 12 Months (Jan18-Dec19)
NY Nearby	**72.5**	**76.9**	**82.0**
A Index	**82.4**	**86.0**	**91.4**
CC Index	**103.5**	**101.7**	**109.3**
Indian Spot	**77.6**	**79.6**	**82.6**
Pakistani Spot	**76.3**	**77.0**	**80.0**

Source: Cotton monthly economic letter, January 2019, www.cottoninc.com

The Nearby NY futures contract (March) fell from levels near 80 cents/lb in early December to values as low as 70 cents/lb in January. In later trading, prices have been generally holding near 72 cents/lb.

The A Index followed the same general pattern as NY futures. Values decreased from those near 88 cents/lb in early December to those just below 80 cents in early January. Recently, levels have been near 82 cents/lb.

The Chinese Cotton Index (CC Index 3128B) was steady in both international (102 cents/lb) and local terms (15,400 RMB/ton).

Indian spot prices (Shankar-6 quality) edged slightly lower over the past month, declining from 80 to 77 cents/lb or from 44,400 to 42,800 INR/candy.

Pakistani spot prices were steady, trading between 76 and 77 cents/lb or from 8,700 and 8,800 PKR/maund over the past month.

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

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)

Export demand has reduced as Indian cotton has turned more expensive than that in the international market. Ginning and Spinning mills buying remained slow, mainly due to sluggish off take in yarn market and financial constraint.

Prices may strengthen gradually over the next few months as arrivals are expected to remain slow and demand might improve significantly from China, Vietnam, Bangladesh and Pakistan. Pakistan scrapped duties on import of cotton for February 1- June 30 to tide over shortage of the crop. In the current year, Pakistan has harvested 10.8 million bales of cotton, down 25 per cent from initial target of 14.4 million bales.

Pakistan is likely to import 3.5-4 million bales - costing up to $1.2 billion-as the crop size for season 2018-19 is estimated at 10.8 m bales, against the annual demand of around 15 m bales. India's cotton exports to Pakistan are unlikely to see a sharp jump, despite the neighboring country scraping import duty, as high domestic prices have made exports uncompetitive.

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. Cotton production during 2018-19 was estimated at 358.70 lakh bales. Among the states, Gujarat stood first with 107.37 lakh bales followed by Maharashtra with 83.30 lakh bales and Telangana with 52.07 lakh bales, above three states combined contributing nearly 67% to total cotton production during 2018-19.

Table 3: 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
Maharshtra	**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: http://agricoop.nic.in/all-india-crop-situation

Table 4: 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

Domestic Trade information

Cotton prices have softened further, despite a lower crop, on weak demand from both yarn mills and overseas markets. Cotton prices are now hovering around Rs.42,500 - 44,000 levels per candy (356 kg each), a decline of about a tenth over the comparative prices in October. At the beginning of the cotton harvest season in October, cotton prices were around Rs.47,000 per candy.

So far, farmers across the country have sold about 160 lakh bales from the current crop. There's still an equal quantity of cotton that farmers will be bringing into the markets over the next couple of months. This is even as ginners are finding it hard to sell the processed cotton because of disturbances in currency and trade war.

Export was reported for China, Indonesia and Bangladesh markets. However, export sales volume still remains nominal. Total cotton exports for 2018-19 season (October -September) reached around 1.80 million bales till December 2018, as per local sources.

Table 5: State wise Cotton Prices in India (Rs/q)

State	Centre	Variety	31-Jan-19	24-Jan-19	31-Jan-19
Gujarat	Ahmedabad	Shankar-6	**5600**	**5600**	**5600**
	Gondal	Shankar-6	**5540**	**5560**	**5540**
	Rajkot	B.T. Cotton	**5555**	**5545**	**5555**
	Patan	B.T. Cotton	**5615**	**5570**	**5615**
	Kadi	B.T. Cotton	**5700**	**5750**	**5700**
	Dhrol	B.T. Cotton	**5230**	**5305**	**5230**
Haryana	Bhiwani	B.T. Cotton	**5680**	**5600**	**5680**
	Adampur	B.T. Cotton	**5500**	**5450**	**5500**
	Fatehabad	B.T. Cotton	**5480**	**5450**	**5480**
	Jind	B.T. Cotton	**5650**	**5650**	**5650**
	Uchana	B.T. Cotton	**5480**	**5458**	**5480**
	Dabwali	B.T. Cotton	**5350**	**5385**	**5350**
Rajasthan	Hanumangarh	B.T. Cotton	**5525**	**5460**	**5525**
	Rawatsar	B.T. Cotton	**5500**	**5400**	**5500**
Madhya Pradesh	Khandwa	Mech-1	**5555**	**5500**	**5555**
	Khargaon	Mech-1	**5505**	**5520**	**5505**
Maharashtra	Amravati	Mech-1	**5550**	**5450**	**5550**
Uttar Pradesh	Hathras	B.T. Cotton	**5300**	**5250**	**5300**
	Hathras	Desi	**4800**	**4800**	**4800**
Telangana	Adilabad	Un-Ginned	**5340**	**5320**	**5340**
Karnataka	Bijapur	Bunny	**5963**	**5909**	**5963**
	Raichur	H-44 Cotton	**5600**	**5600**	**5600**

Source: www.agriwatch.com

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 and Sangareddy recorded increased area under cotton as compared to last year, while in all other districts the same was reduced.

Table 6: District wise area under cotton in Telangana

District	2017-18 (Area in ha)	2018-19 (Area in ha)	Change in area over last year	2018-19 Expected Production in 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

Table 7: Prices and Arrivals of Cotton at Warangal Market in the Month of January 2019

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
2	4,300	4,500	5,300	5,250
3	6,573	4,500	5,300	5,250
4	6,754	4,500	5,240	5,225
7	12,746	4,500	5,270	5,225
10	11,536	4,500	5,290	5,250
11	8,376	4,500	5,310	5,250
12	4,483	4,550	5,350	5,300
17	2,681	4,800	5,280	5,250
18	3,684	4,750	5,300	5,250
19	3,482	5,000	5,325	5,275
21	5,006	4,500	5,330	5,275
22	4,480	4,600	5,350	5,290
23	6,184	4,650	5,340	5,275
24	5,048	4,500	5,340	5,300
25	4,940	4,500	5,360	5,300
28	5,151	4,500	5,310	5,275

Source: http://tsmarketing.in/

Market activity continues to be handcuffed by the U.S.- China trade dispute. Chinese textiles and apparel products continue their aggressive flow into the U.S. while China buys very-very little U.S. raw cotton. The price in Indian market is higher than that internationally. This is backed by higher MSP and purchases by CCI. The market may move up only through larger off take by exporters or by domestic industry. This may occur gradually over the next few months.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between **Rs. 5150 - 5450** per quintal during February 2019.