

## Cotton Outlook – January 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 (Jan 12, 2019)	Latest Month (Dec, 2018)	Last 12 Months (Janp'17-Dec'18)
NY Nearby	81.7	75.4	73.3
A Index	93.4	85.4	83.6
CC Index	110.0	108.9	107.1
Indian Spot	84.4	78.2	81.1
Pakistani Spot	83.8	76.5	75

Source: Cotton monthly economic letter, November 2018, [www.cottoninc.com](http://www.cottoninc.com)

Prices for the March NY futures contract surged in late December, rising from 75 cents/lb to just below 80 cents/lb. Following that round of increases, there was a period of stability. However, in the latest trading, prices have risen once again; with March futures testing levels near 85 cents/lb. Current prices are the highest for a nearby NY futures contract since May. As is common, movement in the A Index was highly correlated with that for NY futures, with values increasing from levels near 85 cents/lb in late December to those near 90 cents/lb most recently.

The China Cotton Index (CC Index, base grade 3128B) was stable over the past month. In international terms, the CC Index held to levels near 109 cents/lb. In domestic terms, the CC Index eased slightly, falling from 15,800 to 15,700 RMB/ton.

Indian spot prices (Shankar-6 quality) increased, climbing from 75 to 81 cents/lb in international terms over the past month. In domestic terms, prices increased from 38,000 to 40,000 INR/candy.

Pakistani prices also rose, moving from 75 to 84 cents/lb in international terms and from 6,600 to 7,600 PKR/maund in domestic terms. All benchmark prices except the CC Index increased over the past month.

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

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

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

Cotton exports from the country increase by over 240% in October as compared to last year exports. This is first month of cotton season 2018/19. According to data published by Commerce Ministry, country exported about 2.29 lakh bales in Oct 2018 compared to only 67,155 bales last year same month. Bangladesh is the largest buyer with 1.26 lakh bales. Pakistan bought 39,000 bales. while china imports about 26,000 bales from India in October. In October, India also imported about 87,300 bales up marginally from last year imports of 85,600 bales in October. India imported cotton mainly from USA (25,150 bales), Tanzania (22,441 bales) and Australia (11,785 bales).

Cotton output in country during the season 2018-19 would be around 349.46 lakh bales (of 170 kg each) (Agriwatch) which is lower compared to production of last season. Following lower production, imports will rise marginally to 21 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 394.50 lakh bales compared to 428.04 lakh bales during the previous season.

### Indian Scenario

As on 20<sup>th</sup> 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
<b>Gujarat</b>	<b>26.23</b>	<b>104.00</b>	<b>27.08</b>	<b>107.37</b>
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
<b>Maharashtra</b>	<b>42.07</b>	<b>85.00</b>	<b>41.23</b>	<b>83.30</b>
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
<b>Telangana</b>	<b>18.97</b>	<b>55.00</b>	<b>17.96</b>	<b>52.07</b>
Others	0.50	2.00	0.17	0.68
<b>India</b>	<b>124.44</b>	<b>370.00</b>	<b>120.64</b>	<b>358.70</b>

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
<b>Total Supply</b>	<b>400.75</b>	<b>410</b>	<b>400</b>
Demand			
Mill	265	275	280
Small Mill	27	30	35
Non Mill	15.75	15	20
<b>Total Consumption</b>	<b>307.75</b>	<b>320</b>	<b>335</b>
Exports	63	70	60
<b>Total Consumption</b>	<b>370.75</b>	<b>390</b>	<b>395</b>
Ending Stocks	30	20	5

Source: Agriwatch, \*\* 2018-19 projections

**Domestic Trade information**

Cotton spot markets noticed weak during the December month. Average price of lint at Sirsa during the month was Rs.4404 per maund (of 37.32 Kg each), lower compared to the previous month price of Rs 4536. Cotton fiber (Shankar-6) prices noticed slightly weak this month. Average price was Rs 44041 per candy (of 355.6 kg each) during the month, which was Rs 45443 per candy previous month.

The Cotton spot market prices have been higher this season compared to last season on reports of production cut by the Cotton Association and USDA. However, cotton spot market prices are expected to trade remain sideways to weak tone due to sluggish demand. Arrivals are also improving a further expectation to be in slow pace as sellers want better prices. In long run, prices may get support to rise after lower production and reports of slow arrivals in physical market and India is expecting good demand from China, Vietnam, Bangladesh and Pakistan significantly after G20 meeting.

The CAI has estimated cotton crop for 2018-19 season at 340.25 lakh bales of 170 Kg each which is lower by 3 lakh bales than its previous estimate of 343.25 lakh bales made during last month. The CAI has increased the crop estimate for Haryana by 1 lakh bales, Upper Rajasthan, Lower Rajasthan and Andhra Pradesh by 50 thousand bales each than compared to its previous estimate, while there is a reduction in the crop estimated for Gujarat by 3 lakh bales, Maharashtra by 1 lakh bales and Telangana by 1.50 lakh bales as compared to the previous estimate due to unfavorable weather conditions.

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

State	Prices December, 2018	Prices November, 2018	Prices December, 2017	% Change(Over Previous Month)	% Change (Over Previous Year)
Andhra Pradesh	5525.11	5712.3	4680.66	-3.28	18.04
Gujarat	5282.05	5448.31	4892.71	-3.05	7.96
Haryana	5475.58	5519.92	4946.49	-0.8	10.7
Karnataka	5826.36	5801.82	5193.89	0.42	12.18
Madhya Pradesh	5474.63	5489.46	4815.7	-0.27	13.68
Maharashtra	5524.12	5696.62	4827.5	-3.03	14.43
Odisha	5390.76	5229.64	4780.05	3.08	12.78
Punjab	5426.74	5497.05	5179.9	-1.28	4.77
Rajasthan	5482.65	5535.74	5102.63	-0.96	7.45
Tamil Nadu	5007.63	4543.9	4500.28	10.21	11.27
Telangana	5357.02		4672.66	—	14.65
Uttar Pradesh	5169.37	5258.8	5152.61	-1.7	0.33
<b>Average</b>	<b>5411.84</b>	<b>5430.32</b>	<b>4895.42</b>		

**Cotton in Telangana****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
<b>Nalgonda</b>	224955	231965	7010	672.53
<b>Adilabad</b>	146960	135249	-11711	392.12
<b>Nagarkurnool</b>	125967	113320	-12647	328.54
<b>Khammam</b>	108571	96701	-11870	280.36
<b>Asifabad (K. bheem)</b>	101373	92773	-8600	268.97
<b>Sangareddy</b>	83472	92728	9256	268.84
<b>Mahabubnagar</b>	80827	77697	-3130	225.26
<b>Siddipet</b>	86258	71497	-14761	207.29
<b>Warangal (Rural)</b>	80827	70087	-10740	203.20
<b>Rangareddy</b>	70172	68677	-1495	199.11
<b>Other</b>	799893	745777	-54116	2162.22
<b>Total</b>	1909275	1796471	-112804	5208.49

Source: [www.agri.telangana.gov.in](http://www.agri.telangana.gov.in)

As on 26<sup>th</sup> 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.

**Cotton Prices in Telangana****Table 7: Prices and Arrivals of Cotton at Warangal Market in the Month of December 2018**

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
1	3,924	5,330	5,400	5,300
3	6,496	5,100	5,360	5,300
4	5,263	5,000	5,405	5,350
13	1,724	5,000	5,505	5,450
14	3,134	5,000	5,550	5,450
15	3,569	5,000	5,560	5,450
17	4,167	5,000	5,440	5,400
18	2,023	5,000	5,460	5,400
19	5,691	5,000	5,455	5,400
20	6,296	5,000	5,470	5,425
21	6,439	5,000	5,355	5,320
22	3,835	5,000	5,325	5,300
24	6,768	4,700	5,300	5,250
27	5,040	4,650	5,265	5,250
28	6,095	4,600	5,300	5,250
29	3,879	4,500	5,315	5,250

Source: <http://tsmarketing.in/>

Cotton Association of India (CAI) has decreased its crop estimate to 343.25 lakh bales (each of 170 kg) for the season 2018-19 beginning from October over last month's 348 lakh bales. CAI cited water shortage and climatic adversities as factors affecting the crop in the key growing regions of Gujarat, Maharashtra and Karnataka.

In Andhra Pradesh and Telangana states cotton yields have fallen significantly, in red soil yields have fallen by 60 per cent, while in black soil areas, it is a 50 per cent drop. Against the average of 8-10 quintals an acre, farmers have got 2-6 quintals depending on the availability of water and the intensity of the Pink bollworm attack. Poor yields have resulted in reduction in cotton arrivals at markets.

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 January 2019.