

Cotton Outlook – June 2019**World Scenario**

Global 2018-19 cotton area and production are projected at 33.1 million hectares (82 million acres) and 118.9 million bales, which were nearly 2 and 4.36 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 25.5 million bales of cotton in 2018-19, which was 12.07 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. China is projected to produce 27.8 million bales of cotton in 2018-19 followed by Brazil and Pakistan with 12.8 and 7.7 million bales respectively.

International Price Movement**Table 1: International Price of Cotton (cents/lb)**

	Latest Value (10 May 2019)	Latest Month (April 2019)	Last 12 Months (May 2018-April 2019)
NY Nearby	68.4	77.2	79.8
A Index	80.7	87.2	89
CC Index	104.1	106	106.9
Indian Spot	82.8	84.7	82.1
Pakistani Spot	76.2	75.8	78.6

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

Prices for the July NY futures contract fell from values near 77 cents/lb in mid-April to those below 70 cents/lb most recently. The A Index fell by about the same amount with values decreasing from 88 to 82 cents/lb. Losses for the China Cotton Index (CC Index 3128B) were smaller. Levels decreased from 106 to 104 cents/lb in international terms but were stable in domestic terms (near 15,600 RMB/ton).

Indian cotton prices (Shankar-6 quality) decreased slightly, dropping from 85 to 83 cents/lb in international terms but were also stable in domestic terms (near 46,000 INR/candy). Pakistani prices were stable in international (near 76 cents/lb) and domestic terms (near 8,800 RKR/maund).

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

Importing Countries	Quantity (Metric Tonnes)	Value (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)

India's 2018-19 cotton imports are likely to double from a year ago to a record 3.1 million bales as the drop in production to the lowest level in nine years. The cotton crop estimate for the season is reduced by 600,000 bales to 31.5 million bales in CAI's latest report whereas exports are likely to reduce to 4.7 million bales.

Total cotton supply projected is 325 lakh bales of 170 Kg each during the period from October 2018 to May 2019 which consists of the arrival of 287.7.83 lakh bales and imports of 9.28 lakh bales up to 31st March 2019; and the opening stock at the beginning of the season at 28 lakh bales.

Indian Scenario

Area covered under cotton during 2018-19 was 120.64 lakh hectares as against 124.44 lakh hectares during 2017-18. However, according to the third advance estimates of 2018-19 as on 3rd June 2019, cotton production was estimated at 275.93 lakh bales which were too low compared to the previous season (328.05 lakh bales). Among the states, Gujarat, Maharashtra and Telangana are combinedly contributing for more than 60% to total cotton production during 2018-19 in the country.

Domestic Trade information

Cotton prices this month were steady during first half month of May and then suddenly hit due to US-China disputes during the last week after President Trump added a 5% tariff on all imports from Mexico and the US stock market hiked. From May 5 to June 5, the cumulative turnover of reserve cotton was 219,900 tons, with a turnover rate of 87.04%. On 5th June, the reserve sales of reserve cotton were 9788.39 tons, the actual turnover was 5416.98 tons, and the turnover rate was 55.34%.

Table 3: Domestic Cotton Demand and Supply (in lakh bales of 170 kg)

	2017-18	2018-19*	Oct-Dec	Jan-Mar	Apr-June	July-Sept
Opening stock	48.04	24.04	24.04	60.54	57.54	35.36
Cotton production	365	336.53	153.5	138.5	37.53	7
Imports	15	30	4	6	11	9
Total supply	428.04	390.57	181.54	205.04	106.07	51.36
Mill consumption	288	270.5	95	110	48.5	17
Consumption by SSI	27	28	6	10.5	8.5	3
Non Mill consumption	19	20.21	5	5	5.71	4.5
Exports	70	50	15	22	8	5
Total Demand	404	368.71	121	147.5	70.71	29.5
Ending Stock	24.04	21.86	60.54	57.54	35.36	21.86
Stock to use Ratio	0.06	0.059	0.314	0.284	0.353	0.428

Source: CAI & agriwatch.com * 2018-19 estimated

Table 4: Average Monthly Prices of Cotton (Rs/Quintal)

Commodity	Kapas		Montly Prices Average (Rs./Quintal)		Change
	State	Centre	Variety	May,2019	
Gujarat	Ahmedabad	Shankar-6	6233	5278	955
	Gondal	Shankar-6	6178	5501	677
	Rajkot	B.T. Cotton	6234	5798	436
	Dhrol	B.T. Cotton	5320	5429	-110
	Rawatsar	B.T. Cotton	4287	6177	-1890
	Khargaon	Mech-1	3530	5874	-2344
Maharashtra	Amravati	Mech-1	6348	6099	249
Telangana	Warangal	Un-Ginned	5959	5935	24
Karnataka	Bijapur	Bunny	5876	5544	332
	Raichur	H-44 Cotton	5053	4757	296

Source: www.agriwatch.com

Cotton in Telangana

Area under cotton during 2018-19 was 17,96,471 hectares as against 19,09,275 hectares during 2017-18. 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 5: 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 6: Arrivals and Prices of Cotton at Warangal Market in the Month of May 2019

Date	Arrivals (Qtl)	Minimum Price (Rs/quintal)	Maximum Price (Rs/quintal)	Modal Price (Rs/quintal)
2	2,610	5,000	6,160	6,050
3	2,194	5,000	6,120	6,025
6	2,390	5,000	6,050	5,950
7	1,684	5,000	6,030	5,900
9	1,995	5,000	6,030	5,950
10	1,720	5,000	5,960	5,900
13	2,286	5,000	6,025	5,900
14	1,672	5,000	5,970	5,900
16	1,346	5,000	6,100	6,000
17	1,916	5,000	6,120	6,050
20	2,054	5,000	5,975	5,900
21	2,360	5,000	6,060	6,000
27	1,235	5,000	6,015	5,900
28	2,090	5,200	6,150	6,000
30	1,600	5,700	6,265	6,190
31	1,644	5,600	6,150	6,000

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

Currently prices are ruling above MSP indicating that the traders are actively procuring cotton at competitive rates. Average price of lint at Sirsa during May month was Rs. 4798.14 per maund (of 37.32 Kg each), weaker compared to the previous month price of Rs 4845. Cotton fiber (Shankar-6) prices noticed highest this month in this season. Average price was Rs 45303.7 per candy (of 355.6 Kg each) during the month, which was Rs 46045.8 per candy previous month.

India's cotton imports of 8 lakh to 9 lakh bales have been shipped and remaining are likely to be shipped between May and July out of contracted 18 lakh bales. Indian imports from US rose to 2.56 lakh bales in April from 79,900 bales in March due to high domestic prices and short supply. Imports are taking place at Rs. 47,500 to 48,000/candy landed cost at port.

For the year 2019-20, cotton acreage is likely to increase by around 10-15% as compared to last year, from 17.96 to 19 - 20 lakh hectares mainly due to high cotton prices per quintal prevailed in 2018-19 season.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between **Rs. 6000-6300** per quintal during June 2019.