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India

Cotton and Products

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Report Highlights:

Estimated 1999/00 cotton imports have been increased to 1.0 million (170 kg) bales and exports reduced to 100,000 bales as the result of attractive early-season world prices and a strong recovery in export demand for Indian textiles.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

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1999/00 Import Estimate Increased

Attractive early-season international prices, coupled with a strong recovery in export demand for Indian textiles, have encouraged domestic mills to import larger quantities of quality cotton. Consequently, Post's estimate of 1999/00 cotton imports has been increased to 1.0 million (170 kg) bales. Higher 1999/00 imports are also being supported by reduced domestic availabilities of certain fiber lengths, specifically Gujarat (28-29 mm, Shankar-6) and Karnataka (ELS, DCH-32).

The recent firming of international cotton prices and rumors of an increase in the Indian cotton tariff have led to a lull in additional contracts since mid-January. In response, domestic prices have begun rising (see price table). Prospects for additional import contracts will depend upon the relative movements of domestic and international prices.

1999/00 Export Estimate Reduced

Despite strengthening international prices, our estimate of 1999/00 exports has been reduced to 100,000 bales. At present, domestic cotton prices are at or near parity with international quotations. Domestic prices would have to decline or international prices rise by 10-15 percent in order for exports to become economically viable.

1999/00 Production Estimate Unchanged

Our estimate of 1999/00 cotton production (16.5 million bales) is highly regarded by local traders who concede that the current CAB estimate (17.5 million bales) is likely inflated in an attempt to tame domestic prices.

Ban on Imports of Pakistani Cotton Supports Domestic Offtake

Due to reported phytosanitary concerns, the GOI banned imports of Pakistani cotton from January 11. Traders report that nearly 300,000 bales of shorter staple Pakistani cotton had been contracted, of which only 35-40,000 bales had been imported. Pakistan is expected to challenge the ban under the auspices of the WTO. The ban has resulted in higher offtake of comparable (J-34) domestic cotton.

Most of the cotton contracted from Pakistan was of short staple length (22-24 mm), and priced significantly lower (32-36 cents/lb.) than domestic J-34 varieties. Following the imposition of the ban and the firming of international prices, most mills which had contracted Pakistani cotton began covering their requirements with domestic cotton, resulting in a significant increase in J-34 prices (see table). As a result, the price of J-34 varieties (45 cents/lb.) is now at a parity with world prices (after discounting for quality). Another 10-15 percent increase in domestic prices could encourage mills to import cotton from other origins, including MOT from the United States.

Table 1: Commodity, Cotton (metric tons)

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/1997		08/1998		08/1999	(MONTH/YEAR)
Area Planted	8904000	8904000	9303000	9303000	8730000	8730000	(HECTARES)
Area Harvested	8904000	8904000	9303000	9303000	8730000	8730000	(HECTARES)
Beginning Stocks	1018640	1018640	908650	908650	1019490	1019490	METRIC TONS
Production	2686000	2686000	2771000	2771000	2805000	2805000	METRIC TONS
Imports	31620	31620	93500	93500	85000	170000	METRIC TONS
TOTAL SUPPLY	3736260	3736260	3773150	3773150	3909490	3994490	METRIC TONS
Exports	68000	68000	38250	38250	34000	17000	METRIC TONS
USE Dom. Consumption	2604910	2604910	2550510	2550510	2635000	2635000	METRIC TONS
Loss Dom. Consumption	154700	154700	164900	164900	187000	187000	METRIC TONS
TOTAL Dom. Consumption	2759610	2759610	2715410	2715410	2822000	2822000	METRIC TONS
Ending Stocks	908650	908650	1019490	1019490	1053490	1155490	METRIC TONS
TOTAL DISTRIBUTION	3736260	3736260	3773150	3773150	3909490	3994490	METRIC TONS

NOTE: Production figures in the PS&D for 1997/98, 1998/99 and 1999/00 include 575,000 bales, 600,000 bales and 600,000 bales of loose cotton, respectively.

Table 2: Commodity, Cotton (480 lb bales)

PSD Table								
Country:					Conversion	0.004593		
Commodity:								
		1997		1998		1999	UOM	
	Old	New	Old	New	Old	New		
Market Year Begin							(MONTH/YEAR)	
Area Planted	8904000	8904000	9303000	9303000	8730000	8730000	(HECTARES)	
Area Harvested	8904000	8904000	9303000	9303000	8730000	8730000	(HECTARES)	
Beginning Stocks	4679	4679	4173	4173	4682	4682	1,000 480lb bales	
Production	12337	12337	12727	12727	12883	12883	1,000 480lb bales	
Imports	145	145	429	429	390	781	1,000 480lb bales	
TOTAL SUPPLY	17160	17160	17330	17330	17956	18346	1,000 480lb bales	
Exports	312	312	176	176	156	78	1,000 480lb bales	
USE Dom. Consumption	11964	11964	11714	11714	12102	12102	1,000 480lb bales	
Loss Dom. Consumption	711	711	757	757	859	859	1,000 480lb bales	
TOTAL Dom. Consumption	12675	12675	12472	12472	12961	12961	1,000 480lb bales	
Ending Stocks	4173	4173	4682	4682	4839	5307	1,000 480lb bales	
TOTAL DISTRIBUTION	17160	17160	17330	17330	17956	18346	1,000 480lb bales	

Table 3: Month End Prices of Popular Varieties

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
1997/98						
Aug	34590	52020	58210	61020	70300	76490
Sept	33180	50620	58210	59900	70300	77330
Oct	31500	50330	55960	57630	-	-
Nov	33740	49770	53990	54830	-	81550
Dec	37680	50050	54830	57650	70860	87170
Jan	42180	56520	58220	61300	76480	92210
Feb	39650	53710	54830	59050	71710	85760
Mar	43020	55120	58490	61580	71710	84360
Apr	41900	53170	57650	59610	70300	82950
May	44150	55120	56520	58490	67480	84630
Jun	45270	57080	59330	62710	70300	87160
Jul	43300	54550	58490	60460	75920	88560
1998/99						
Aug	43300	50900	57650	60460	74520	88560
Sep	35710	45840	55400	58490	71710	82950
Oct	39370	49490	53990	55680	-	80140
Nov	40770	46680	52020	53990	-	74520
Dec	41340	46120	54270	56520	68890	77330
Jan	37680	43870	53990	55960	71710	75920
Feb	37120	44150	51740	53990	70300	73110
Mar	37120	44990	51740	54830	65520	71710
Apr	35150	45270	52580	55400	66080	71710
May	38520	46400	52870	56240	67490	73110
Jun	39090	48090	54270	55680	67490	73110
Jul	38810	50330	53430	56240	68890	75080
1999/00						
Aug	37680	49770	53990	57370	70300	75920
Sep	35430	49770	54550	56240	70300	75920
Oct	32900	42180	51740	53430	-	75920
Nov	28680	37960	50050	52300	67490	77330
Dec	28960	37680	48650	52020	66080	82950
Jan	29240	42740	49490	53990	67490	84360

Source: East India Cotton Association, Mumbai