

Cotton Outlook – October 2018

World Scenario

Global 2018-19 cotton area and production are projected at 32.9 million hectares (81.20 million acres) and 122.0 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.

Global Cotton Trade

Global 2018-19 cotton consumption is projected at a record 127.9 million bales, as mill use follows the growth in the global economy and cotton appears more competitive with respect to polyester. For 2018-19, cotton consumption is forecast to expand 3.8 percent, following a 6 percent growth rate in 2017-18. Consumer demand for cotton products is expected to remain strong in a number of countries, including the United States, supporting higher global consumption. Global cotton trade is forecast at 41.8 million bales in 2018-19, that was 40.7 million bales in 2017-18. Bangladesh, Vietnam, and China are expected to remain the leading importers of raw cotton this season with a combined increase of 2.8 million bales and the imports may decline for Pakistan and Turkey. Among the major producing countries, only Brazil and Australia are expected to see larger exports in 2018-19 against the year 2017-18.

International Price Movement

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

	Latest Value(Sep 12)	Latest Month(Aug)	12 Months (Sep'17-Aug'18)
NY Nearby	82.8	84.5	79.8
A Index	92.4	94.6	89.3
CC Index	108.1	108.1	111.1
Indian Spot	84.5	88.1	81.2
Pakistani Spot	81.4	83.6	78.0

Source: Cotton monthly economic letter, September 2018, www.cottoninc.com

After moving lower in early August, values for the December NY futures contract have been range-bound, generally trading between 81 and 84 cents/lb. The A Index followed a pattern similar to NY futures, with values dropping from levels near 98 cents/lb in early August to those between 91 and 94 cents/lb. In dollar terms, the Chinese Cotton Index (CC Index 3128B) was unchanged over the past month, holding to levels near 108 cents/lb and in domestic terms, the

CC Index was also stable, holding to levels near 16,300 RMB/ton. Indian spot prices (Shankar-6 quality) decreased in local terms, falling from values above 48,000 INR/candy in mid-August to near 47,600 INR/candy. The INR reached record lows against the dollar recently and the weakening of the rupee helped to pull the value of Indian cotton lower in dollar terms. In early August, Indian prices were near 90 cents/lb. In dollar terms, Pakistani prices decreased from 88 cents/lb to 80 cents/lb. In domestic terms, prices fell from 9,000 PKR/maund to 8,300 PKR/maund.

Indian Scenario

As on 26th September 2018, the area covered under cotton during current season was 122.38 lakh hectares, which was 124.44lakh hectares during corresponding period of last year.

Table 2: State wise area and production of cotton

State	2017-18 Area (Lakh ha.)	2018-19 Area (Lakh ha.)	Change in area over 2017-18	Cotton arrivals as on Aug 2018
Andhra Pradesh	6.44	5.51	-0.93	18.59
Gujarat	26.23	27.08	+ 0.85	100.36
Haryana	6.69	6.65	-0.04	22.50
Karnataka	5.46	5.48	+ 0.02	18.00
Madhya Pradesh	6.03	6.97	+ 0.94	20.50
Maharashtra	42.07	41.23	-0.84	85.00
Punjab	2.91	2.84	-0.07	10.94
Rajasthan	5.84	4.96	-0.88	22.00
Telangana	18.97	17.94	-1.03	51.09
Other	3.8	3.72	-0.08	9.12
Total	124.44	122.38	-2.06	358.10

Source: www.agricoop.com and www.cotcorp.org.in

During 2017-18 harvesting season (up to September 2018), highest arrivals were associated with Gujarat (100.36lakh bales) followed by Maharashtra (85.00 lakh bales) and Telangana (51.09 lakh bales) contributing nearly 65% to total cotton production of the country by these three states.

Domestic Trade information

As per the latest press release by cotton association of India, total cotton supply has projected at 416.00 lakh bales up to 30th September 2018 which consists the arrival of 365.00 lakh bales, imports 15.00 lakh bales and the opening stock at the beginning of the season as on 1st October 2017 which the Committee has estimated at 36 lakh bales. Further, the Committee has estimated cotton consumption for whole crop year (12 months) from October 2017 to September 2018 at 324 lakh bales. The stock at the end of September 2018 is estimated at 23.00 lakh bales including 18.00 lakh bales with textile mills, while the remaining 5.00 lakh bales are estimated to be held by CCI and others (MNCs, traders, ginner, etc.).

India's cotton exports to China may see a fivefold jump to 4 million bales in the marketing year 2018-19 starting 1stOctober against 0.8 million tonnes in 2017-18, after China

slapped a 25% additional duty on imports of the fiber from US. Indian traders have already entered into a forward contract with Chinese buyers to deliver about 1.2 million bales between November & January. Indian traders export maximum cotton in November and December since India is the only country where cotton is available at that time. The Cotton Corporation of India (CCI) has begun gearing up for procurement of around 100 lakh bales for 2018-19 which commenced from this week. This could be possibly one of the biggest cotton procurement exercises by CCI in recent years. Maximum cotton procurement had last occurred in 2008-09 when about 96 lakh bales were procured.

Domestic Cotton Prices

Kapas (seed cotton) prices in country noticed weak tone during the September month when compared to the previous month and the same is ruling lower compared to the prices during the corresponding month of the previous season.

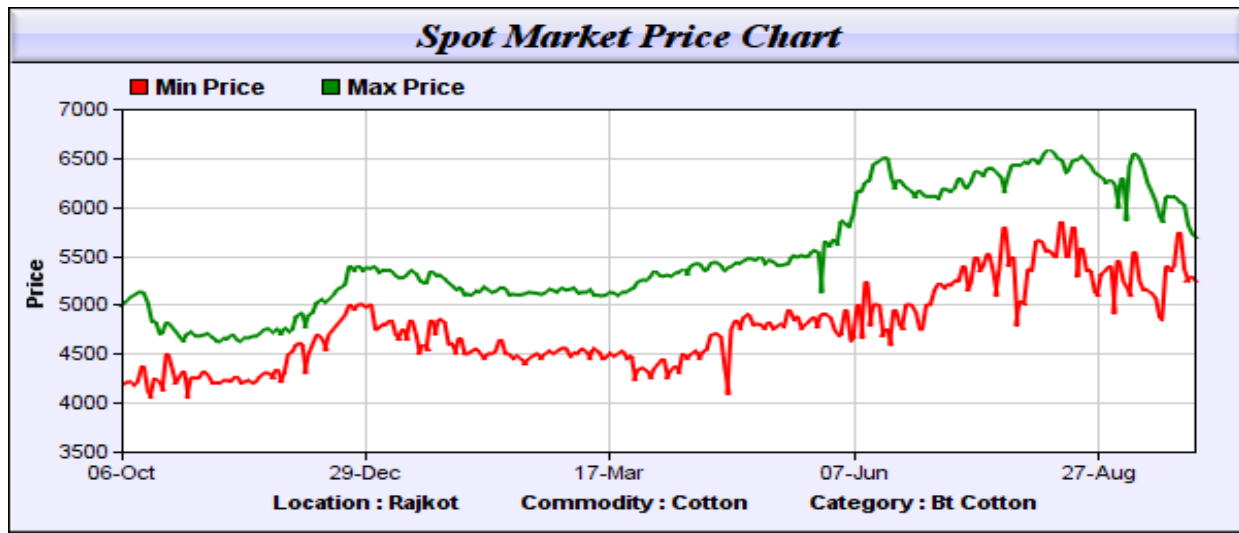


Fig 1: Cotton price at Rajkot market from October 2017 to September 2018 (Rs./quintal)

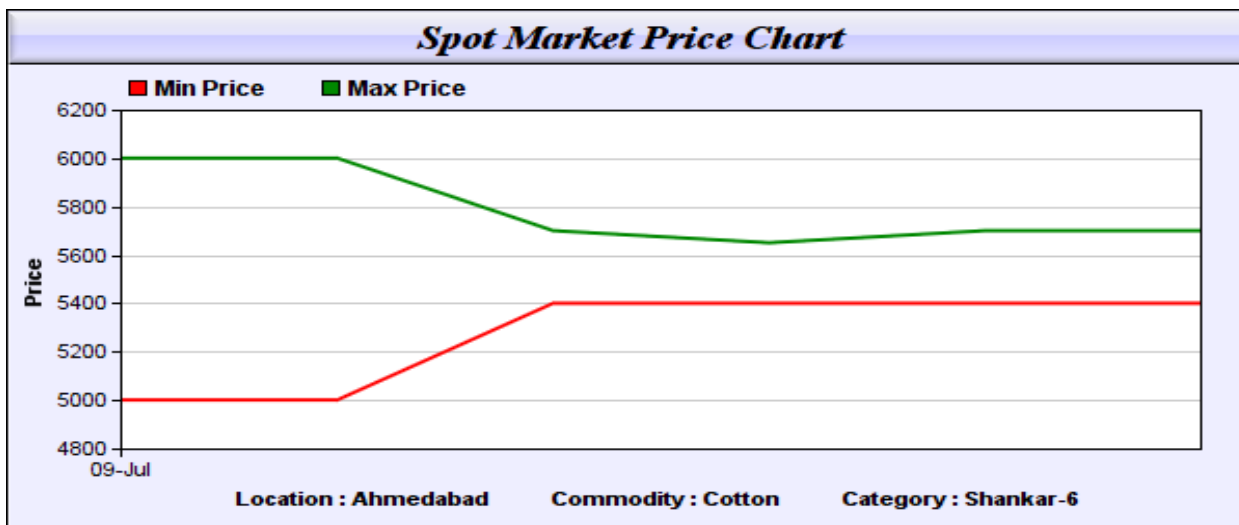


Fig 2: Cotton price at Ahmedabad market from July 2018 to September 2018 (Rs./quintal)

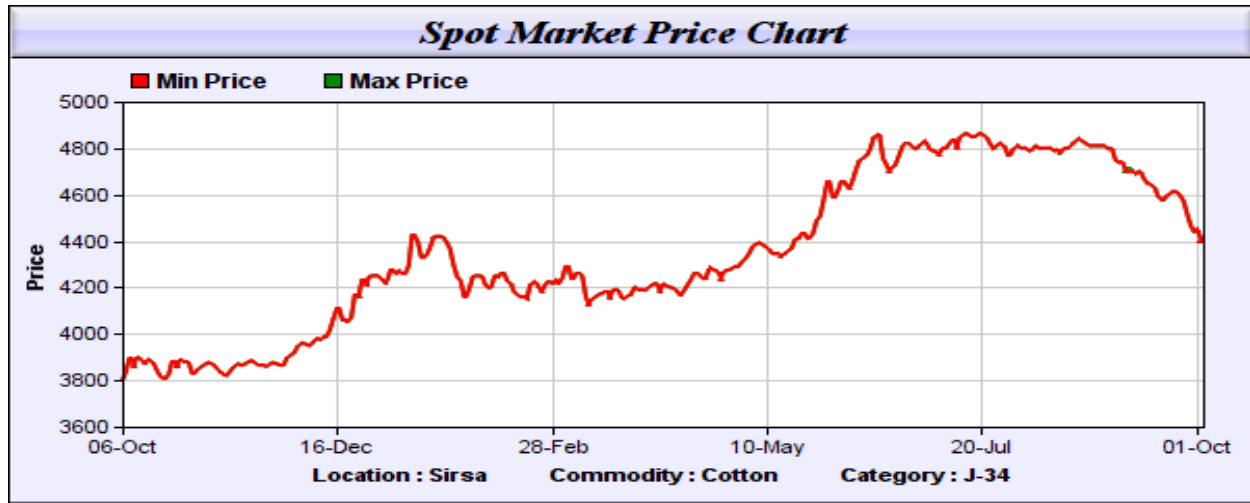


Fig 3: Cotton lint price at Sirsa market from October 2017 to September 2018 (Rs. /Maund)

Cotton in Telangana

Table 3: District wise area under cotton in Telangana

District	2018-19 (Area in hectares)	2017-18 (Area in hectares)	Change in area over 2017-18
Nalgonda	231965	224955	+ 7010
Adilabad	135249	146960	-11711
Nagarkurnool	113320	125967	-12647
Khammam	96701	108571	-11870
Asifabad	92773	101373	-8600
Mahabubnagar	77697	83472	-5775
Warangal (R)	70087	80827	-10740
Sangareddy	92728	85378	+7350
Rangareddy	68677	70172	-1495
Jangoan	66641	72137	-5496
others	750633	809463	-58830
Total	1796471	1909275	-112804

Source: www.agri.telangana.gov.in

As on 26th September 2018 the area under cotton was 1796471 hectares as against 1909275 hectares during corresponding period of last year. The crop is at flowering to boll formation stage in almost all major growing districts and pink bollworm infestation was observed in Medak, Vikarabad, Adilabad, Nirmal, Warangal (R), Warangal (U), Khammam, Bhadradi, Nalgonda, Nirmal and Asifabad.

Cotton Prices in Telangana

Cotton prices in Warangal market showed increasing trend from first week of July to last week of August 2018 and the same in September adjusted between Rs.5500-5800. There was no active movement found in cotton prices at Adilabad and Peddapalli markets up to last week of August due to end of trade. But in Adilabad market in the beginning of September cotton price jumped from Rs. 4320 to 5450 and this trend was continued up to end of September. While in

case of Jammikunta market the cotton prices are bouncing with the arrivals and it exceeded the Warangal prices at the end of September (Rs.5850).

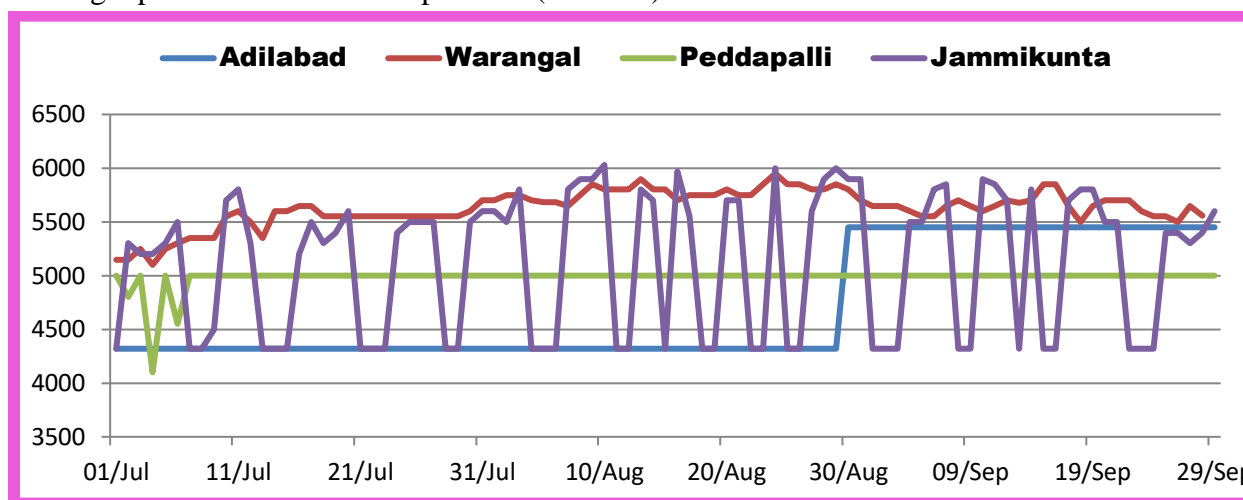


Fig 4: Prices of Cotton in Major Markets of Telangana during July to September 2018 (Rs/q)

Demand for cotton is likely to remain robust in the coming months, both in domestic and international markets. This along with minimum support price hike is likely to keep cotton prices firm and also, China is expected to purchase large quantities of cotton from India, replacing US as its largest source of cotton which is expected to keep the prices into next season supported.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between Rs.4850-5550 per quintal during October 2018.