

## Cotton Outlook – September 2018

### World Scenario

Global 2018-19 cotton area and production are projected at 32.8 million hectares (80.09 million acres) and 120.5 million bales, which were 2 and 2.5 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. For China, cotton production is projected to decline by 1 million bales to 26.5 million bales as compared to 2017-18 due to both area and yield reductions. Meanwhile, production increases of 300,000 bales each for both Brazil and Pakistan in 2018-19 are projected to push their estimates to 9.5 and 8.5 million bales respectively.

### Global Cotton Trade

Global cotton trade is forecast at 41.8 million bales in 2018-19, that was 40.8 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. Exports from the United States and India are forecast at 15.5 million bales (down 2%) and 4.5 million bales (down 13.5%) respectively.

### International Price Movement

Prices for the December NY Futures contract were generally contained between 85 and 90 cents/lb between mid-July and early August.

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

Cents/lb	Latest Value (Aug 10)	Latest Month (July)	Last 12 Months (Aug'17-Jul'18)
NY Nearby	85.9	87.4	78.5
A Index	97.3	96.2	88.0
CC Index	108.0	109.8	111.1
Indian Spot	89.6	88.5	80.9
Pakistani Spot	88.5	84.5	77.0

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

The A Index also moved sideways over the past month, with values ranging between 94 and 100 cents/lb since mid-July. The China Cotton Index (CC Index Grade 3128B) decreased in dollar terms last month, dropping from 112 to 108 cents/lb. This was primarily a result of the RMB weakening against the dollar (RMB fell 3% between mid-July through and early August, and has declined 7% against the USD since April). In domestic terms, the CC Index has held at value near 16,200 RMB/ton since mid-July. Indian cotton prices represented by Shankar-6 quality and Pakistan cotton prices also increased in international and domestic terms, rising from 88.5 to 89.6 cents and 84.5 to 88.5 cents respectively.

### **Indian Scenario**

As on 31<sup>st</sup> August 2018, the area covered under cotton during current season was 117.66 lakh hectares (Bt Cotton 102.89 lakh ha and Non-Bt Cotton 14.76 lakh ha), which was 119.88 lakh hectares during corresponding period of last year. Higher area coverage than the previous year of corresponding season was reported in the states of Madhya Pradesh (6.88 lakh ha), Gujarat (26.93 lakh ha) and Haryana (6.65 lakh ha) while lower area coverage than the previous year of corresponding season was reported in the states of Maharashtra (40.99 lakh ha), Telangana (17.72 lakh ha), Punjab (2.84 lakh ha), Karnataka (3.84 lakh ha), Andhra Pradesh (5.05 lakh ha) and Rajasthan (4.96 lakh ha).

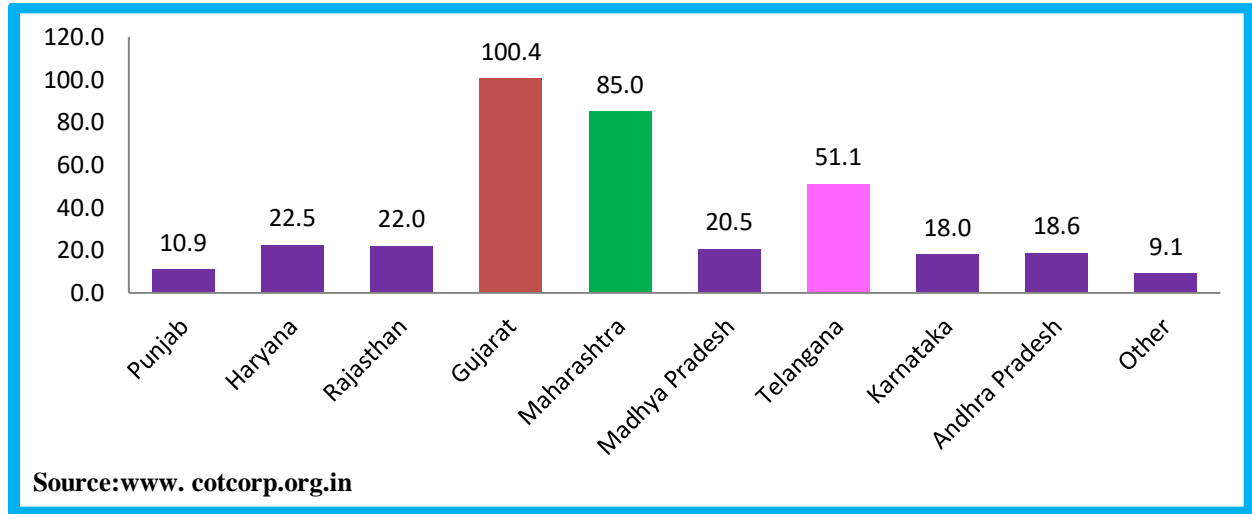
According to the Cotton Association of India (CAI), major cotton growing States are facing issues including deficit rainfall and the outbreak of the pink bollworm infestation. This is likely to affect cotton production by 3-4 per cent this year.

According to cotton experts and industry, due to irregular rains cotton season was started late by a month in Gujarat. As a result the crop growth was smaller than corresponding period of previous year, which leads to one month delay in cotton arrivals to the market in the state. In Maharashtra, mainly Marathwada, Vidarbha and north Maharashtra regions have officially confirmed the outbreak of the pink bollworm infestation on cotton crops that has crossed the economic threshold limit. This is clearly indicating that sizable amount of the crop loss may be there due to the pest.

### **Domestic Arrivals of Cotton**

During 2017-18 harvesting season (up to August 2018), highest arrivals were associated with Gujarat (100.4 lakh bales) followed by Maharashtra (85 lakh bales) and Telangana (51.1

lakh bales) contributing nearly 65% to total cotton production of the country by these three states.



**Fig 1: Cotton Arrivals at Major Cotton Assembling Areas in India up to 16<sup>th</sup> August 2018 (in lakh bales of 170 Kg each)**

**Domestic Prices of Cotton**

Kapas (seed cotton) prices in country noticed firm tone during the August month when compared to the previous month, and the same is ruling higher compared to the prices during the corresponding month of the previous season.

**Table 2: Weekly Average Prices of Cotton in all Major Markets of India**

State	Market	Variety	1 <sup>st</sup> week August 2018	2 <sup>nd</sup> week August 2018	3 <sup>rd</sup> week August 2018	4 <sup>th</sup> week August 2018
Gujarat	Rajkot	B.T. Cotton	6345	6477	6493	6464
Haryana	Bhiwani	B.T. Cotton	5850	5850	5870	6062
	Fatehabad	B.T. Cotton	5807	5807	5930	6067
Telangana	Adilabad	Un-Ginned	4302	4320	4320	4320
Karnataka	Bijapur	Bunny	6521	6253	6253	6265
	Raichur	H-44 Cotton	5890	5890	6066	6066

Source: www.agriwatch.com

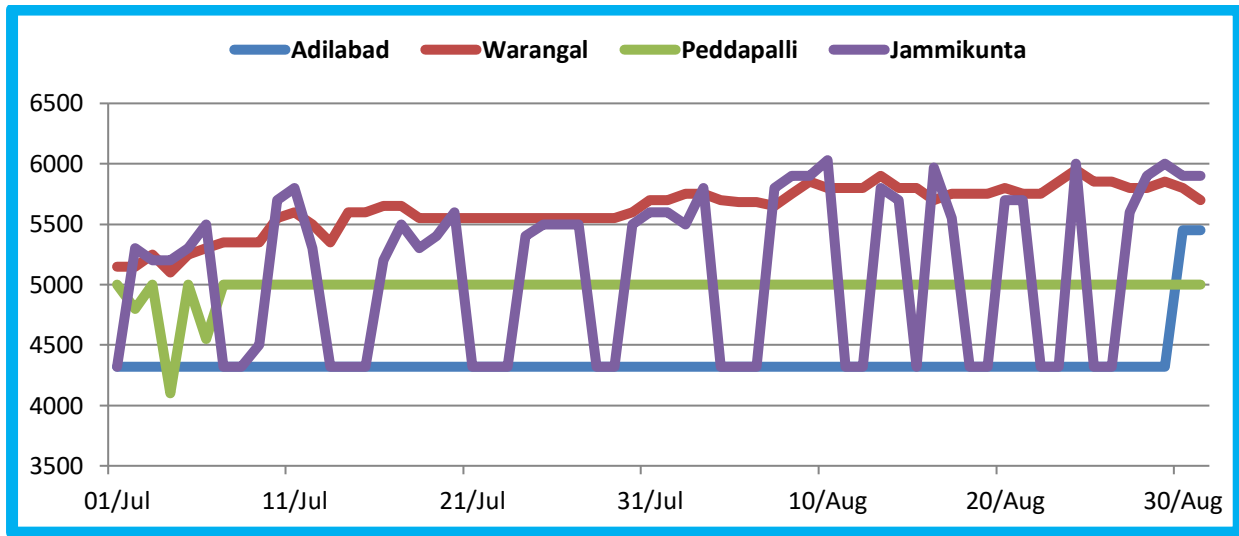
**Cotton in Telangana**

Telangana is the one of largest cotton producing states in India that has occupied 19.09 lakh hectares during 2017-18. As on 29<sup>th</sup> August 2018 the area under cotton was 1772354 hectares as against 1860831 hectares during corresponding period of last year. The crop is at

flowering stage in almost all major growing districts and pink bollworm infestation was observed in Adilabad, Medak and Vikarabad districts.

**Cotton Prices in Telangana**

Cotton prices in Warangal market showed increasing trend from first week of July to last week of August 2018 (Rs.5150-5850). There was no active movement found in cotton prices at Adilabad and Peddapalli markets due to end of trade. While in case of Jammikunta market the cotton prices are bouncing with the arrivals and it exceeded the Warangal prices at the end of August (Rs.5900).



**Fig 2: Prices of Cotton in Major Markets of Telangana during July to August 2018 (Rs/q)**

The reduction in global and national production estimate, domestic opening stocks, area under cotton and higher import estimates coupled with increased estimate of domestic consumption and raise in MSP (from Rs. 4320 to Rs. 5450/q) for cotton may rouse the domestic cotton prices during the year 2018-19.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between Rs.4800-5500 per quintal during September 2018.