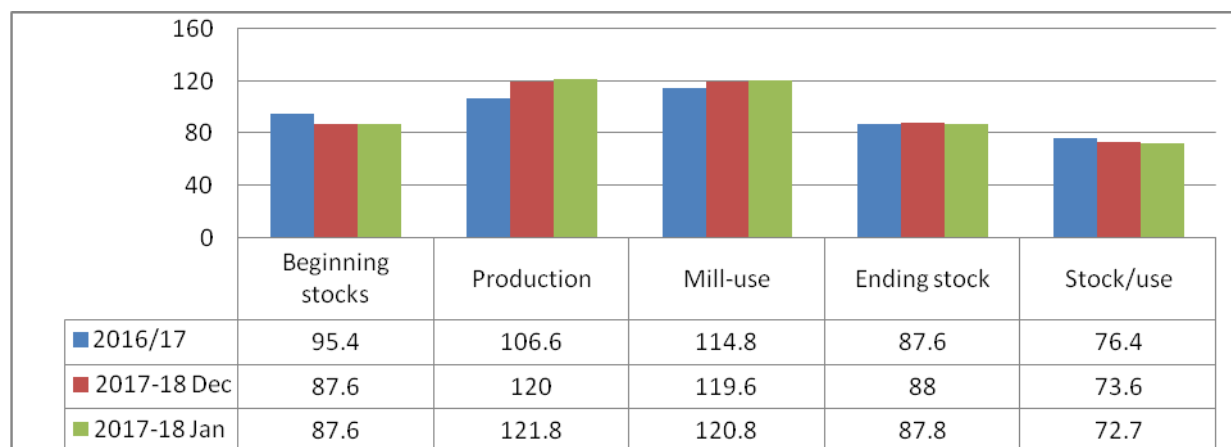


Cotton Outlook – February 2018

Cotton is an important commercial crop of India and plays a key role in the national economy. China, India, USA, Pakistan, Brazil, Uzbekistan, Australia, Turkey, Turkmenistan and Argentina are major cotton producing countries in the world. China, India and USA occupy 60% of the total global cotton acreage. India is the largest cultivator and producer of cotton in the world and stands at second position in consumption and export of the same. Major markets for Indian Cotton exports are Bangladesh, Pakistan, Vietnam, Indonesia, Turkey and Thailand.

World Scenario

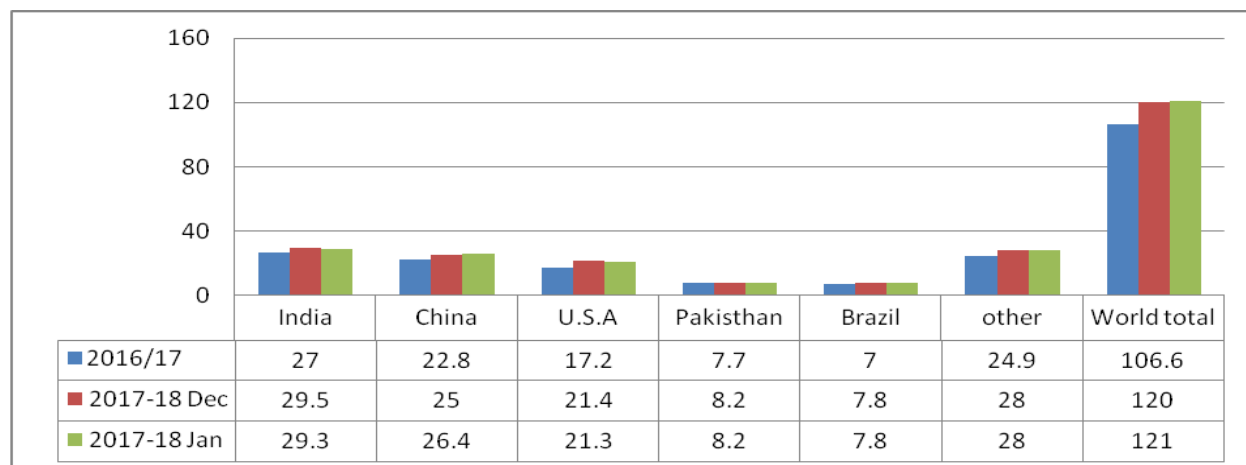
This month's USDA report featured increases in global figures for both production (+1.0 million bales, from 120.0 to 121.0 million) and mill-use (+1.2 million bales, from 119.6 to 120.8 million). The slightly larger increase in consumption relative to production resulted in slightly lower forecast for global ending stocks (-0.2 million bales, from 88.0 to 87.8 million).



Source: www.cotlook.com, Monthly Economic Letter, January 2018.

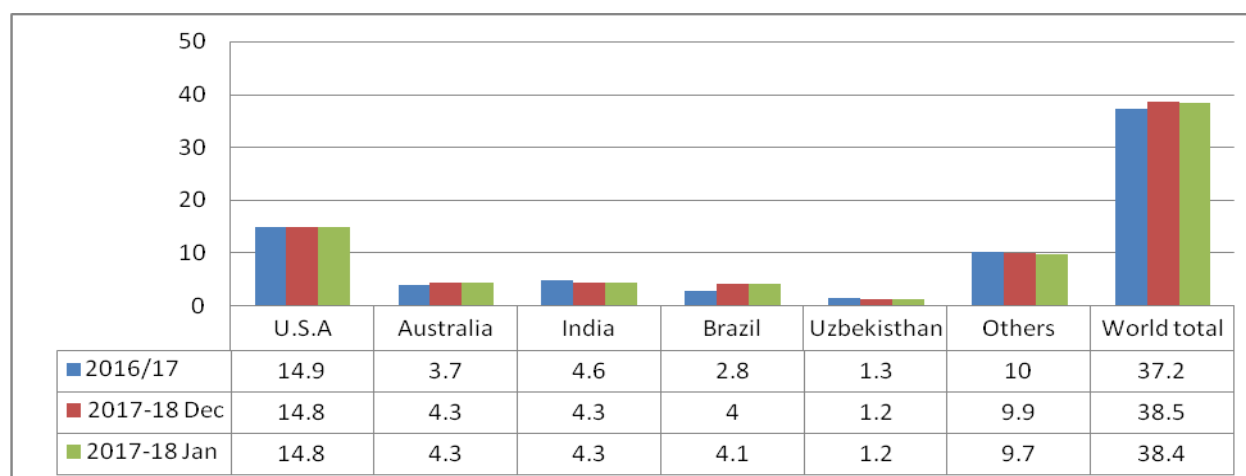
Figure 1: World Cotton Balance sheet (in million 480 lb. bales)

Notable country-level changes to harvest figures included those for China production was increased 1.4 million bales, from 25.0 to 26.4 million. In India production was declined 200,000 bales from 29.5 to 29.3 million bales, the U.S. (-177,000, from 21.4 to 21.3 million), and Australia (-100,000, from 4.7 to 4.6 million).



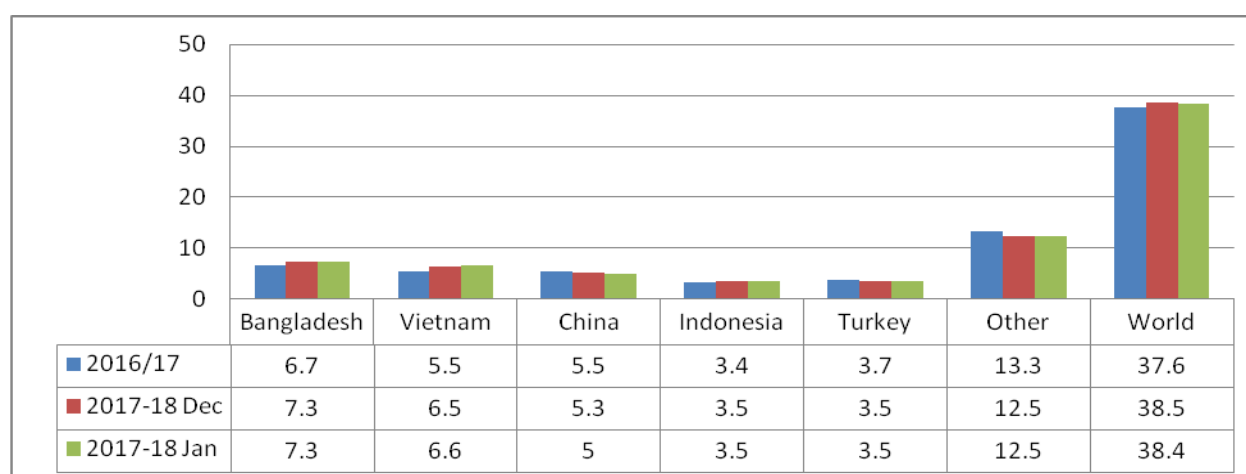
Source: www.cotlook.com, Monthly Economic Letter, January 2018.

Figure 2: World Cotton Production (in million 480 lb. bales)



Source: www.cotlook.com, Monthly Economic Letter, January 2018.

Figure 3: World Cotton Exports (in million 480 lb. bales)

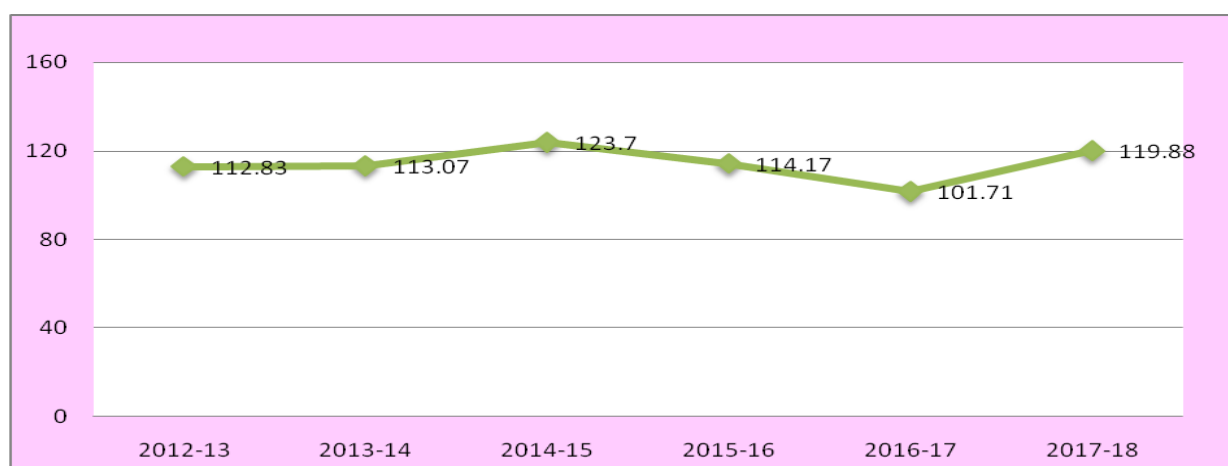


Source: www.cotlook.com, Monthly Economic Letter, January 2018.

Figure 4: World Cotton Imports (in million 480 lb. bales)

The World cotton exports and imports during January 2018 have declined by 0.1 lakh 480 lb bales as compared to its previous month. Cotton exports from Brazil and import by Vietnam has increased and decreased by 0.1 lakh 480 lb bales each, while decline in imports by China registered 0.3 lakh 480 lb bales during the same month.

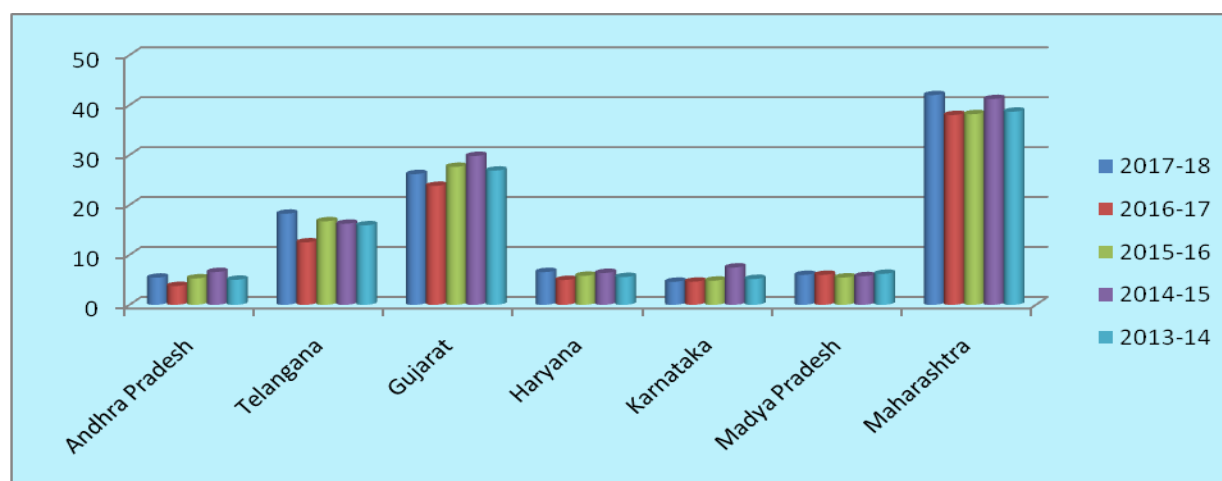
Domestic Scenario



Source: www.agricoop.nic.in

Figure 5: Trend in Area under Cotton (in lakh hectares)

According to the all India crop situation report, kharif 2017-18, Ministry of Agriculture, Government of India, the area under cotton in the country has increased by 17% to 119.88 lakh hectares in 2017-18 from 101.71 lakh hectares in 2016-17. Major growth in area during 2017-18 was associated with the states of Maharashtra and Telangana, while the same was declined in Gujarat as compared to last year.

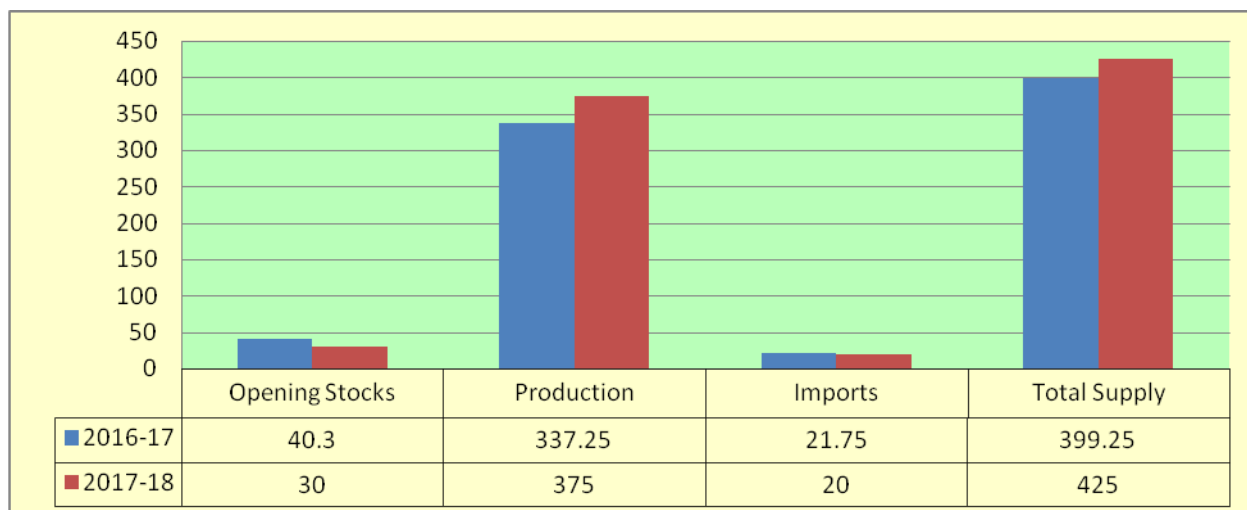


Source: www.agricoop.nic.in

Figure 6: State wise trend in area under cotton from 2013-14 to 2017-18 (in lakh hectares)

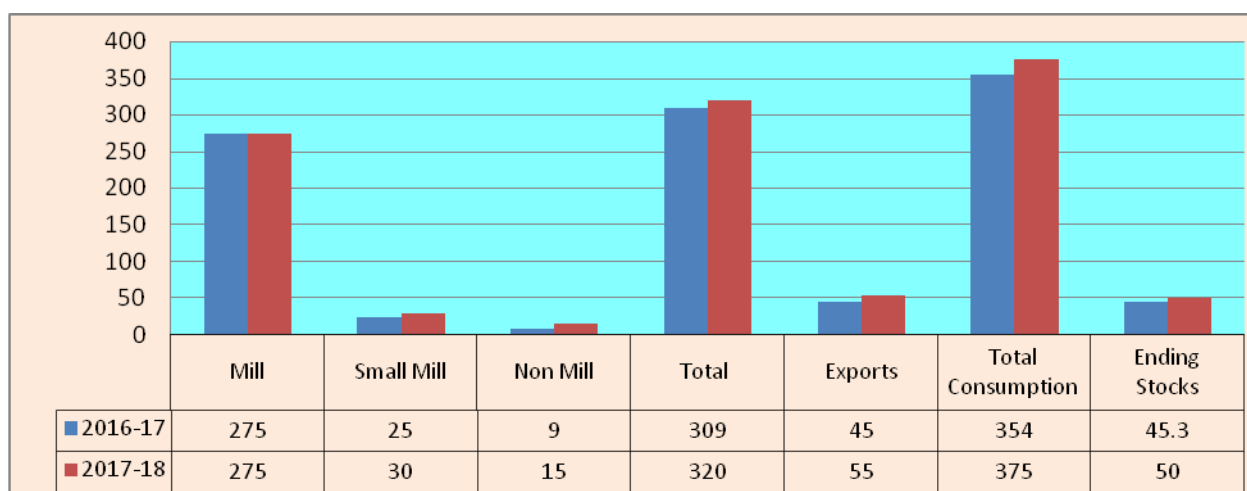
Domestic Demand and Supply

As per the latest estimates by Cotton Association of India, following higher production, cotton imports will rise marginally to 21 lakh bales from 20 lakh bales in previous season. Due to higher opening stock and imports, cotton availability would be standing higher this season at 425 lakh bales compared to 399.25 lakh bales during the previous season (Fig 7).



Source: USDA, Cotton World Markets and Trade, January 2018.

Figure 7: Domestic cotton supply (in bales of 170 kg)



Source: USDA, Cotton World Markets and Trade, January 2018.

Figure 8: Domestic cotton demand (in bales of 170 kg)

The increase in small and non mill uses lead to increase in total consumption by 21 lakh bales i.e., from 354 to 375 lakh bales during 2017-18 as against 2016-17. The exports also increased by 10 lakh bales to 55 lakh bales from 45 lakh bales in 2016-17. Thus, ending stocks are estimated at 50 lakh bales, up nearly 10% from that of previous season.

Table 1: Weekly Average Prices of Cotton in all Major Markets of India

State	Kapas (Price Rs./Quintal)					
	Market	Variety	29 th to 4 th Jan 2018	05 th to 11 th Jan 2018	12 th to 18 th Jan 2018	19 th to 25 th Jan 2018
Gujarat	Ahmadabad	Shankar-6	5370	5317	5342	5317
	Gondal	Shankar-6	5301	5359	5270	5259
	Rajkot	B.T. Cotton	5362	5311	5288	5260
	Patan	B.T. Cotton	5313	5333	5361	5301
	Kadi	B.T. Cotton	5460	5392	5400	5275
	Deesa	B.T. Cotton	5097	5065	5139	5078
	Dhrol	B.T. Cotton	5285	5276	5278	5183
Haryana	Bhiwani	B.T. Cotton	5575	5571	5595	5533
	Bhiwani	DESI	6320	6438	6333	NA
	Adampur	B.T. Cotton	5362	5405	5423	5363
	Fatehabad	B.T. Cotton	5403	5458	5493	5386
	Jind	B.T. Cotton	4624	4843	5707	5820
	Uchana	B.T. Cotton	5519	5467	5500	5462
	Dabwali	B.T. Cotton	5254	5311	5593	5327
Rajasthan	Hanumangarh	B.T. Cotton	5425	5443	5506	5327
	Rawatsar	B.T. Cotton	5308	5372	5483	5363
Maharashtra	Amravati	Mech-1	5038	5025	5058	5017
	Jamner	Medium Staple	NA	NA	NA	NA
Telangana	Adilabad	Un-Ginned	4940	4919	4973	4899
Andhra Pradesh	Guntur	Un-Ginned	NA	3850	NA	3500
	Kurnool	Un-Ginned	5361	5089	NA	5075
	Krishna	Un-Ginned	NA	NA	NA	NA
Karnataka	Bijapur	Bunny	5816	5668	5692	5756
	Hubli	D.C.H	5551	5547	5540	5648
	Hubli	B.T. Cotton	7151	6922	6639	5968
	Raichur	H-44 Cotton	5400	5218	5351	5345

Kapas prices are expected to remain range-bound to weak in coming days. The expected price range for Kapas at major markets is Rs. 4400 – 4900 per quintal for the coming week. There is slight increase in prices of cotton from the month of December 2017 to January 2018.

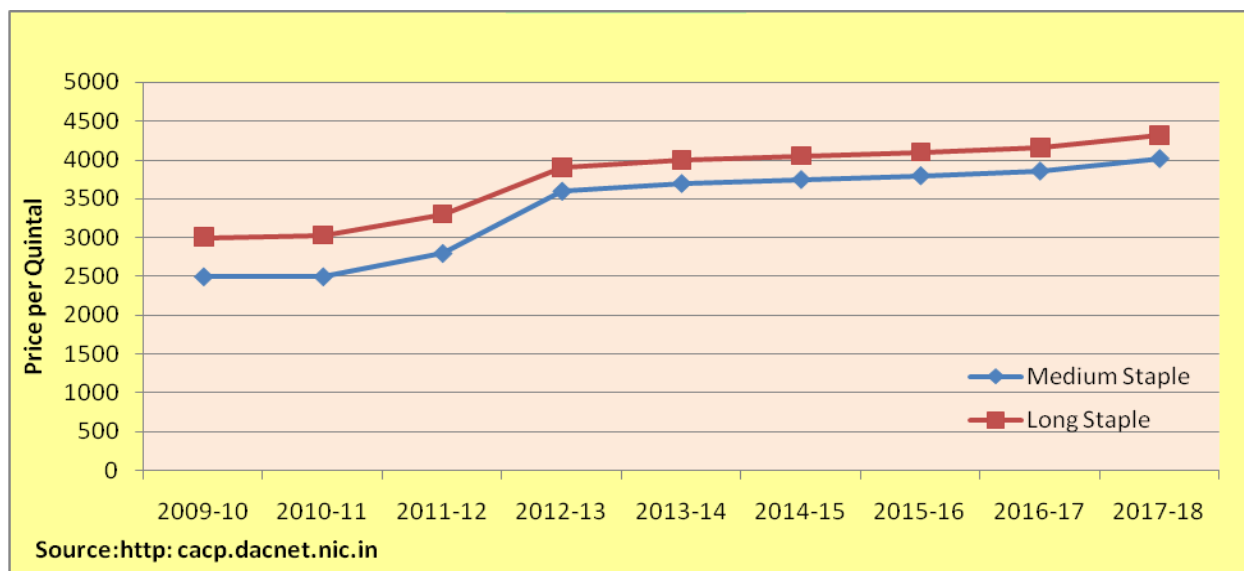
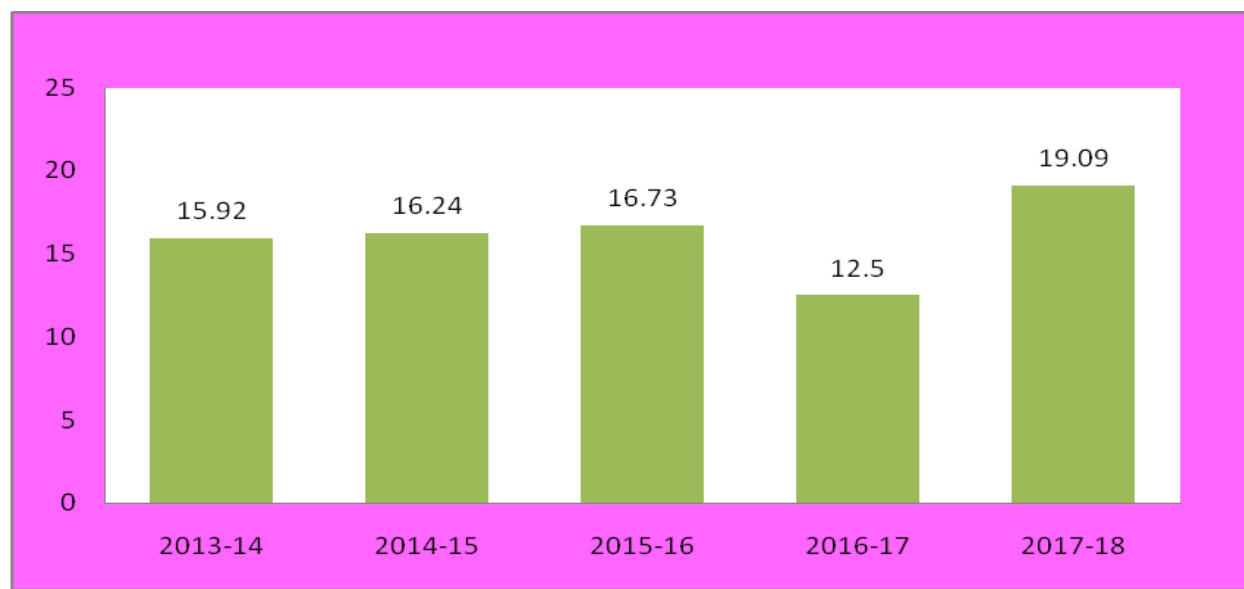


Figure 9: Trend in Cotton Minimum Support Price in India from 2009-10 to 2017-18

Minimum support price for long staple cotton is Rs.4320/- for the year 2017-18 and for medium staple cotton it is Rs.4020/-. The increase in MSP from 2016-17 to 2017-18 is Rs.160/- for both medium and long staple cotton.

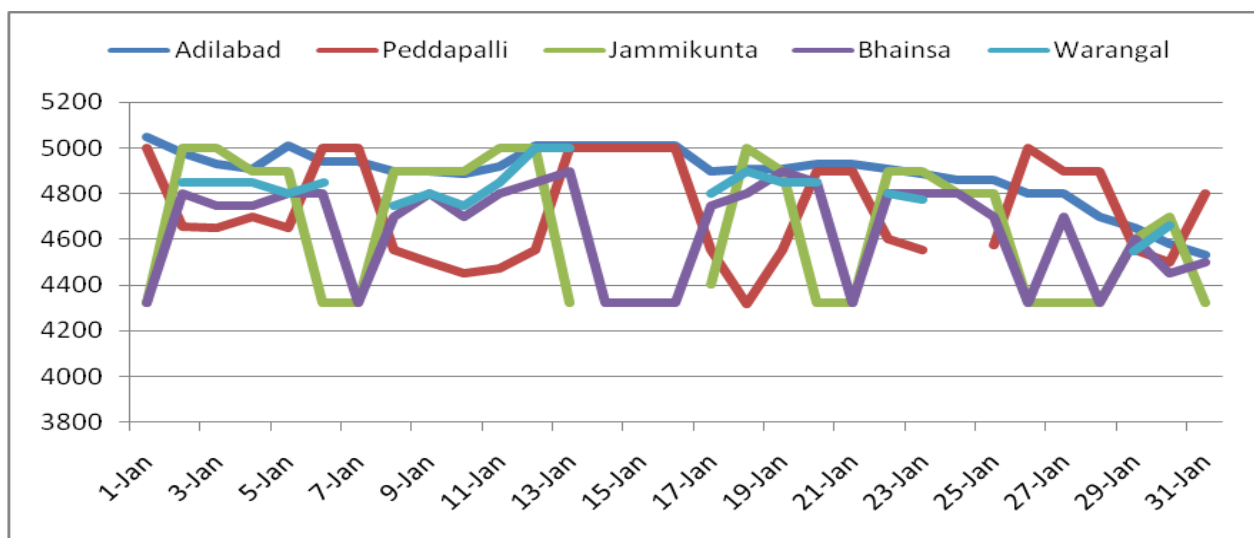
Cotton in Telangana

The cotton crop has occupied 19.09 lakh hectares during 2017-18 in Telangana i.e., 52.72% increase from 12.50 lakh hectares in 2016-17.



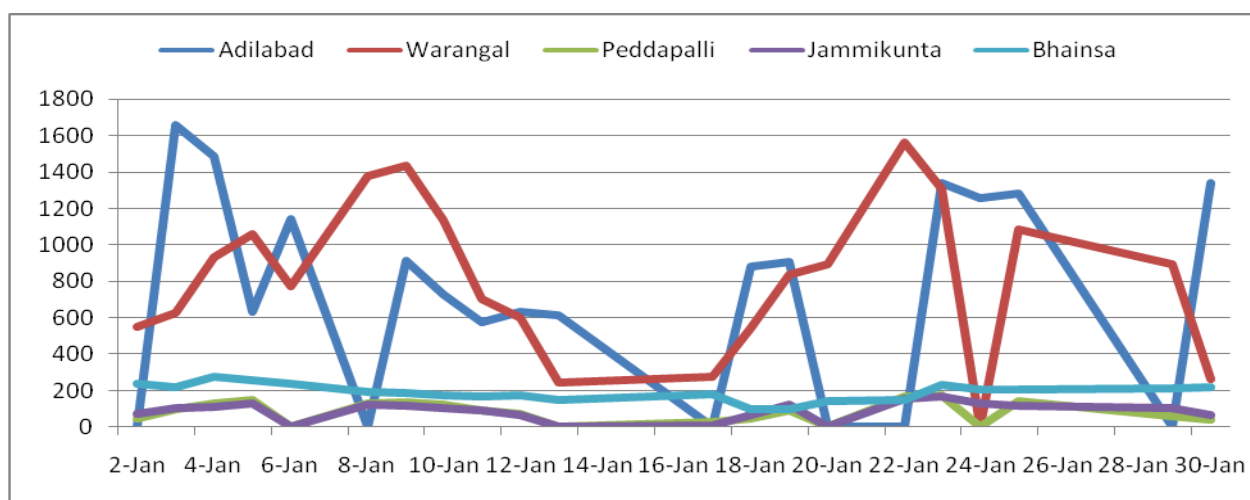
Source: Seasonal crop condition report, Agriculture department, Government of Telangana.

Figure 10: Trend in area of cotton in Telangana from 2013-14 to 2017-18 (in lakh hectares)



Source: Agriculture marketing department, Government of Telangana.

Figure 11: Cotton Model Prices in Major Markets of Telangana during January 2018 (Rs/quintal)



Source: Agriculture marketing department, Government of Telangana.

Figure 12: Cotton Arrivals in Major Markets of Telangana during January 2018 (in metric tonnes)

The overall cotton prices in all major markets of Telangana are ranging between Rs.4300-5100 per quintal. The maximum average model price was recorded at Adilabad for the month of January, while lowest was associated with Bhainsa market during the same period.

The factors that are influencing the domestic prices of cotton are increased production, sudden cancellation of shipment of 4 lakh bales of cotton by Indian traders to Bangladesh and reduction in global imports.

These cancellations and higher local prices could cut India's exports to 5 million bales in the 2017-18 marketing year nearly a quarter below of initial estimate. Prices surged more than 15 percent in the past six weeks after pest infestation squeezed supplies in the domestic market.

Under these circumstances, Agricultural Market Intelligence Centre, PJTSAU expect that Cotton prices are likely to trade in price range between Rs.4400-4900 per quintal during February and March 2018.