

COTTON OUTLOOK REPORT – January to December 2020

Cotton is one of the most important fiber and a cash crop of India and plays a dominant role in the industrial and agricultural economy of the country. Worldwide area under Cotton as of December 2020 is 32.51 million hectares and production and productivity accounted for 113.90 million 480 lb bales and 763 kg/hectare respectively. India has emerged as the largest producer of Cotton in the world and occupies the first position in terms of total area and production. Among the major Cotton exporting countries in the world, India occupied 5th position with 0.85 million tons (USA - 3.16 million tons, Brazil - 1.61 million tons, CFA Zone - 1.17 million tons, Australia - 0.90 million tons) (USDA, Cotton).

In India during 2019-20, production of Cotton was 360.00 lakh bales cultivated under an area of 125.84 lakh hectares with a productivity of 486 kg per hectare out of which production of Cotton in Andhra Pradesh was 20 lakh bales cultivated under area of 5.86 lakh hectares with a productivity of 580 kg per hectare (Cotton Advisory Board). In India, there are nine major Cotton growing states which fall under three zones viz. the North Zone (Punjab, Haryana and Rajasthan), the Central Zone (Maharashtra, Madhya Pradesh and Gujarat), and the Southern Zone (Andhra Pradesh, Karnataka and Tamil Nadu). Nearly 65 per cent of the Cotton crop is cultivated under rainfed conditions in the country. Nearly 2/3rd of the Cotton production in India comes from the states of Maharashtra, Gujarat, Andhra Pradesh, and Telangana collectively known as Cotton Basket of India.

Table 1: Cotton balance sheet for the year 2015-16 to 2019-20 (in lakh bales)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Supply						
Opening Stock	66.00	36.44	43.76	42.91	60.24	145.24
Production	332.00	345.00	370.00	337.00	360.00	358.50
Import	22.79	30.94	15.80	35.37	25.00	14.00
Total Supply	420.79	412.38	429.56	415.28	445.24	517.74
Demand						
Mill Consumption	270.20	262.70	280.11	274.50	218.00	288.00
Consumption By SSI	27.08	26.21	26.18	25.00	18.00	24.00
Non-Mill Consumption	18.00	21.50	12.77	12.00	14.00	18.00
Exports	69.07	58.21	67.59	43.54	50.00	54.00
Total Demand	384.35	368.62	386.65	355.04	300.00	384.00
Ending Stock	36.44	43.76	42.91	60.24	145.24	133.74

Source: www.agriwatch.com (2015-16 to 2018-19), Cotton Association of India (2019-20 to 2020-21) Bale -170 kg.

As per some private sources, the data procured is compiled in Table 1, which explains the balance sheet of Cotton from 2015-16 to 2019-20. The demand of cotton has decreased in 2019-20 when compared with 2015-16.

Table 2: Cotton Exports and Imports of India

Year	Exports		Imports	
	Quantity in lakh bales of 170 Kgs	Value in Rs. Crores	Quantity in lakh bales of 170 Kgs	Value in Rs. Crores
2006-07	58.00	5267.08	5.53	752.29
2007-08	88.50	8365.98	6.38	978.54
2008-09	35.00	3837.13	10.00	1377.80
2009-10	83.00	10270.21	6.00	1195.64
2010-11	76.50	14483.31	2.38	1709.11
2011-12	129.57	23488.59	7.51	1059.20
2012-13	101.43	17462.87	14.59	2057.77
2013-14	116.96	23153.24	11.51	2746.16
2014-15	57.72	9499.87	14.39	2848.50
2015-16	69.07	11434.80	22.79	4230.00
2016-17	58.21	11676.00	30.94	7268.00
2017-18	67.59	13976.71	15.80	4224.84
2018-19	43.54	9502.72	35.37	8339.26
2019-20	50.00	NA	25.00	NA
AVERAGE	73.94	12493.73	14.87	2983.62
CAGR (%)	-1.98***	5.66***	15.88***	20.65***

Source: Cotton Corporation of India. NA: Not Available *** - Significant at 1 per cent levels

From table 2 it is observed that the average exports of Cotton by India are 73.94 lakh bales from 2006-07 to 2019-20 whereas the average imports in India are 14.87 lakh bales. The compound growth rate of exports showed a negative and significant growth rate of -1.98 per cent whereas imports in India showed a positive and significant growth rate of 15.88 per cent. The average value of exports is more than imports of Cotton as usual.

Consumption of Cotton by SSI and Non-SSI mills is explained in table 3. It is shown that the consumption of Cotton by SSI mills increased with 4.62 per cent compared with Non-SSI mills whose growth rate over the years was 4.13 per cent. Consumption of Cotton by organized sector textile mills has increased from 149.36 lakh bales in 2000-01 to 288.00 lakh bales in 2019-20. Consumption of Cotton by SSI mills has increased from 10.97 lakh bales in 2000-01 to 25.00 lakh bales in 2019-20.

Table 3: Cotton Consumption by Organized sector Textile mills (Non-SSI Mills) and Small-Scale Spinning Mills (SSI) Units

Year	Non-SSI mills		SSI mills	
	Average Consumption (Quantity in lakh bales)			
	Cotton Consumption	Monthly Consumption	Cotton Consumption	Monthly Consumption
2000-01	149.36	12.45	10.97	0.91
2001-02	147.00	12.25	11.70	0.98
2002-03	142.42	11.87	11.63	0.97
2003-04	150.39	12.53	13.00	1.08
2004-05	163.98	13.67	16.57	1.58
2005-06	180.00	15.00	19.00	1.67
2006-07	194.89	16.24	21.26	1.32
2007-08	195.67	16.31	22.08	1.59
2008-09	190.00	15.83	20.00	1.58
2009-10	219.00	18.25	23.00	1.92
2010-11	221.77	18.48	24.46	2.04
2011-12	223.59	18.63	22.12	1.84
2012-13	251.74	20.97	23.59	1.97
2013-14	268.03	22.34	25.20	2.10
2014-15	278.06	23.17	26.38	2.20
2015-16	270.20	22.50	27.08	2.26
2016-17	262.70	22.00	26.21	2.18
2017-18	280.11	23.33	26.18	2.18
2018-19(P)	274.50	22.88	25.00	2.08
2019-20(P)	288.00	24.00	25.00	2.08
CAGR (%)	4.13**	4.14**	4.62**	4.69**

Source: Cotton Advisory Board, 2020. (P): Provisional **-Significant at 5 per cent level

Table 4: State-wise Cotton Purchases by Cotton Corporation of India (CCI) for 2019-20

(Quantity in '000 bales)

States	MSP	Commercial	Total
Punjab	141.72	2.10	143.82
Haryana	147.48	0.40	147.88
Rajasthan	120.88	1.10	121.98
Gujarat	174.43	0.00	174.43
Maharashtra	463.26	0.90	464.16
Madhya Pradesh	75.88	0.80	76.68
Andhra Pradesh	70.65	0.00	70.65
Karnataka	85.61	0.10	85.71
West Bengal	0.00	0.00	0.00
Odisha	39.63	0.00	39.63
Telangana	1697.03	0.00	1697.03
Total	3016.57	5.40	3021.97

Source: Agricultural statistics at a glance 2019.

Cotton corporation of India procures the cotton from the farmers at MSP by arranging infrastructure in the form of regular procurement centres as well as satellite centres so that

farmers are not compelled to travel long distances for selling their kapas produce. Besides MSP operations, to fulfill the raw material requirement of the domestic textile industry, CCI also undertakes viable commercial purchase operations as and when required. The main aim of these operations is to meet at least the annual cost of the minimum infrastructure maintained by the Corporation for Price Support operations. Table 4 shows that in the year 2019-20 CCI procured 3021.97 thousand bales of cotton from all over India in which 3016.57 thousand bales at MSP and 5.40 thousand bales at commercial price. Procurement of cotton was highest in Telangana, Maharashtra, Gujarat, Haryana, Punjab and Rajasthan.

Table 5: Comparison of area, production of Cotton with respect to bifurcation of Andhra Pradesh and Telangana states

Year	Before Bifurcation				Year	After Bifurcation			
	Area (lakh ha)		Production (lakh bales)			Area (lakh ha)		Production (lakh bales)	
	India	AP	India	AP		India	AP	India	AP
2009-10	101.3	14.68	240.2	32.32	2013-14	119.6	6.77	359.0	21.88
2010-11	112.4	17.76	330.0	38.90	2014-15	128.2	8.21	348.0	27.51
2011-12	121.8	20.54	352.0	31.82	2015-16	122.9	6.66	300.1	18.17
2012-13	119.8	24.02	342.2	56.00	2016-17	108.3	4.72	325.8	15.64
					2017-18	125.9	6.46	328.1	20.88
					2018-19	126.6	6.20	287.1	14.91
Average	113.83	19.25	316.10	39.76		121.92	6.50	324.68	19.83
% Share		16.91		12.58			5.33		6.11

Source: Agricultural statistics at a glance, AP-Andhra Pradesh

Table 6: Inter-District Comparison of Andhra Pradesh for Cotton crop (2019-20)

Major Districts	Area (in '000 ha)	Rank in Area	Production (in lakh bales)	Rank in Production
Kurnool	275	1	9.04	2
Guntur	182	2	9.86	1
Anantapur	52	3	0.91	5
Krishna	48	4	2.22	3
Prakasam	46	5	1.34	4
Total of 5 districts	603		23.37	
Other Districts	53		1.71	
Andhra Pradesh	656		25.08	
Share (%) of 5 districts	91.92		93.18	

Source: Agricultural statistics at a glance of Andhra Pradesh, 2019.

The detail of comparison of Cotton production and area between India and Andhra Pradesh is presented in Table 5. It is seen from the table that before bifurcation of Andhra Pradesh and Telangana states average acreage under Cotton was 19.25 lakh hectares with an average production of 39.76 lakh bales and after bifurcation, the average area is 6.50 lakh hectares with 19.83 lakh bales of production. Hence, the percentage share of Cotton area and

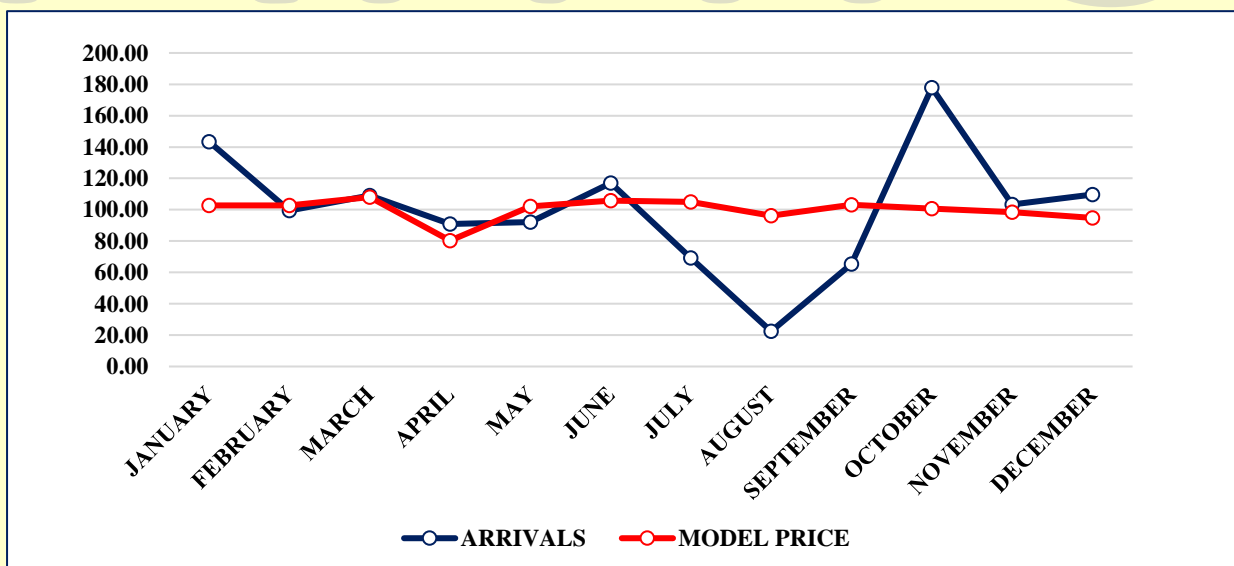
production in India has decreased from 16.91 to 5.33 per cent and 12.58 to 6.11 per cent respectively.

Table 7: Seasonal Indices of Cotton in Adoni Market (2015-2020)

Months	Arrivals	Price
January	143.41	102.66
February	99.49	102.83
March	109.08	108.05
April	90.84	80.28
May	92.09	102.14
June	116.95	105.77
July	69.35	104.99
August	22.44	96.25
September	65.45	103.19
October	177.89	100.67
November	103.26	98.37
December	109.74	94.82

Inter-district comparison of Andhra Pradesh for Cotton crop (2018-19) is explained in Table 6. It shows that Kurnool ranks first in the area whereas Guntur district tops highest in production. Anantapur district ranks third in area and fifth in production. Among 13 districts of Andhra Pradesh state, five districts namely Kurnool, Guntur, Anantapur, Krishna and Prakasam cover 91.92% of area under Cotton acreage and 93.18% Cotton production is contributed by these five districts.

Figure 1: Trends in Arrivals and Prices of Cotton in Adoni



The results in Table 7 indicate that the maximum arrival indices in the Adoni market were observed in October (177.89 %) followed by January (143.41 %) and June (116.95 %). Minimum arrival indices were observed in August (22.44 %) followed by September (65.45

%). Maximum price indices were observed in March (108.05 %) followed by June (105.77 %) and February (103.78 %). Minimum price indices were observed in April (80.28 %) followed by December (94.82 %). The results are depicted in Figure 1.

Indian Cotton prices significantly dropped in February month compared to the prices that got support at January month and prices dropped steeply in March compared to the prices in February month. The global economy breakdown resulted in weak trade across the world including India due to coronavirus. The persistent rainfall during the withdrawal of monsoon across Maharashtra, Telangana and Andhra Pradesh has led to the decline in the yield in the first picking to around 4-6 quintals per acre against the previous estimates of around 10-12 quintal per acre. The Nivar cyclone has caused extensive damage to crop in over 6.59 lakh hectares in different districts of Andhra Pradesh, according to the government.

As per the latest estimates by Agriwatch, Cotton output in the country during the season 2019-20 would be around 362.8 lakh bales (of 170 kg each). The Cotton output in the coming 2020-21 season is estimated to increase to around 376.17 lakh bales, as the area sown under Cotton has increased. Due to the good export parity in 2019-20, exports are likely to have increased to 50.7 lakh bales. Whereas the imports in 2020-21 are likely to decline to around 10 lakh bales from 15 lakh bales in 2019-20. The total Cotton availability by the end season in 2019-20 season is estimated at 402.4 lakh bales and even higher availability is expected in 2020-21 season of around 485.75 lakh bales.

CCI has procured around 34 lakh bales till 30 November. Total domestic mill consumption (excluding non- mill consumption) in 2020-21 is expected to increase by 25% to 286.46 lakh bales in 2020-21, which had significantly declined to 230 lakh bales in 2019-20 amid the spread of coronavirus. So, the decline in consumption has resulted in higher ending stocks of around 102.63 lakh bales in 2019-20. The ending stocks by the end of the 2020-21 season would depend on the final demand and consumption which is estimated to be 121.57 lakh bales owing to the higher crop this year.

Cotton exports are likely to jump 40 % in 2020-21 to 7 million bales from 5.6 million bales (2019-20), which is the highest in seven years, as the depreciation of the rupee and a rally in global prices have allowed exporters to clinch contracts. As per Government estimates, in Andhra Pradesh by the end of 10th February 2020, Cotton is at the 3rd and 4th picking stage.

Under these circumstances, the AMIC, ANGRAU forecasts price around Rs. 5700-6000 for cotton in coming months based on quality standards.
