

Cotton Outlook



AW **AGRIWATCH**

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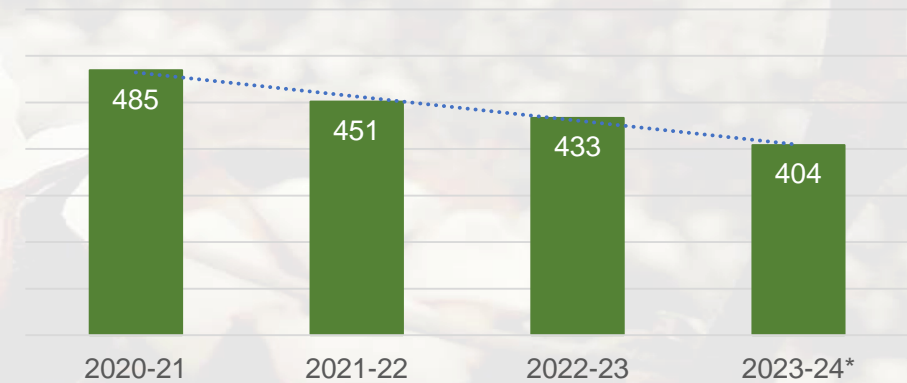
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Cotton Quick Recap

- Total cotton acreage in India has declined by 1% y-o-y in the 2023-24 crop year. However, 2022-23 witnessed an increase of 5% in area.
- In Telangana, area shifted to Chilli & Maize; In MH, farmers switched to soybean and In Gujarat, acre shifted to groundnut; In AP, a large chunk is shifted to chilli.
- Yields were lower in 2023-24 and in general the trend of yield is declining. Factors affecting the yields –

- Shifting to local variety cotton from BT cotton over the years,
- Poor quality seeds,
- Mono-cropping,
- Excessive usage of fertilizers, and
- Erratic and unpredictable rainfall pattern in the past two to three years.

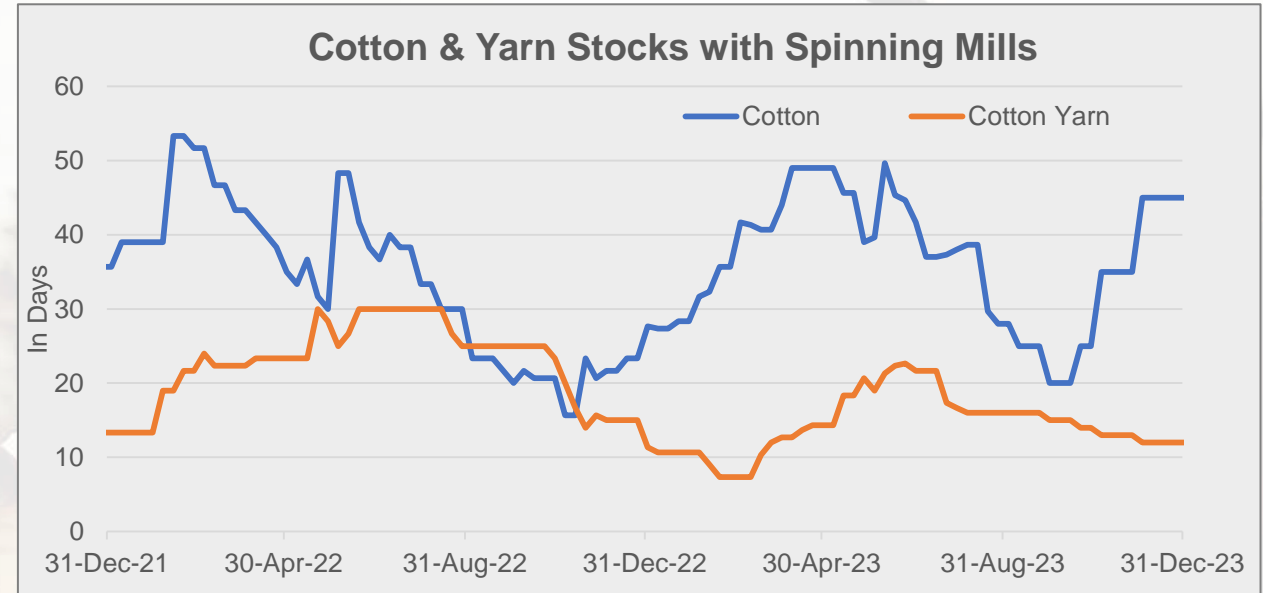
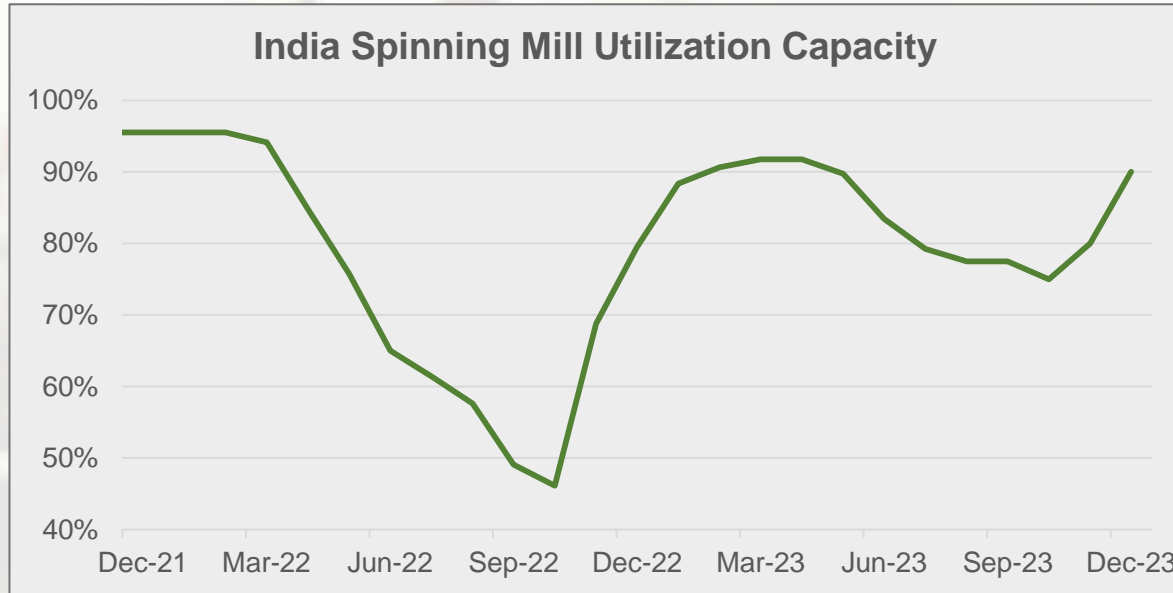
All India Average Cotton Yield in Kg/Ha



- Marginal decline in area and lower yields led to a decline in production during 2023-24.
- All India, production declined to 29.6 million bales down by 8% from LY.

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India Cotton Consumption



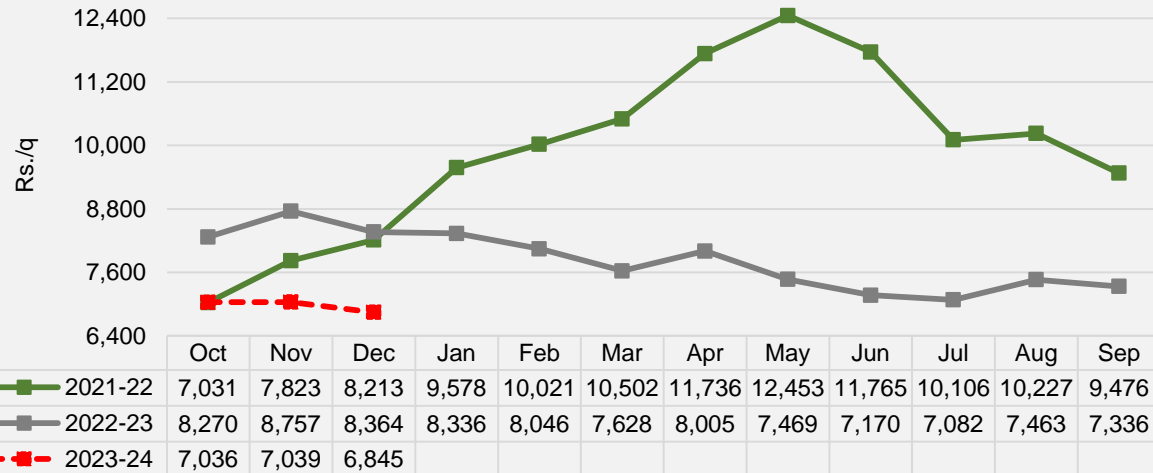
- Mills are running at lower capacities,
- Cotton stocks are accumulating,
- Yarn stocks are maintained at lower levels amid uncertain demand, and
- Only practicing the replenishment buying.

India Cotton Balance Sheet

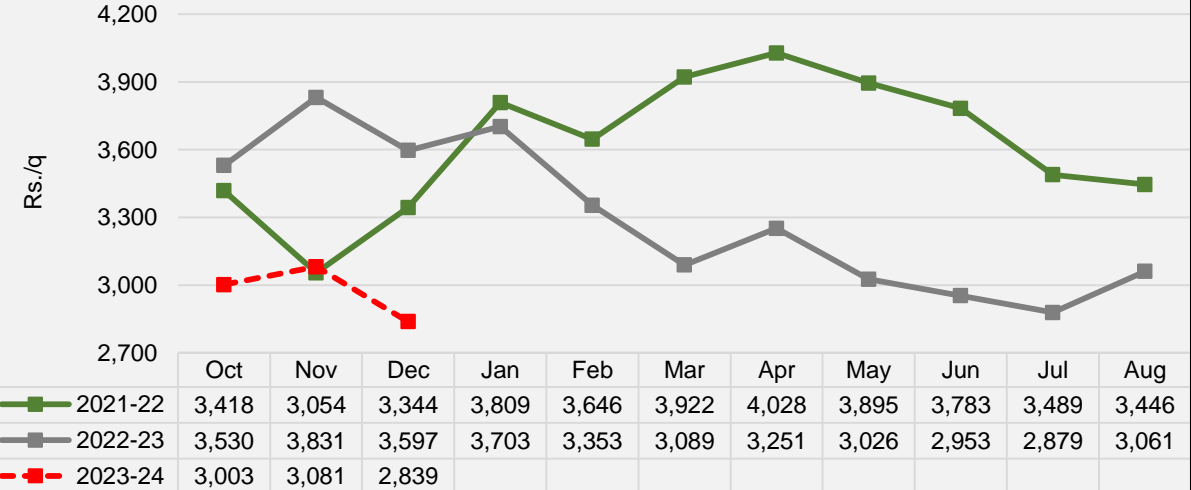
Cotton Balance Sheet				
In Million Bales(170 KGS)	2020-21	2021-22	2022-23	2023-24
Supply				
Opening stock	10.4	7.9	3.6	4.6
Cotton production	36.5	31.6	32.1	29.6
Imports	1.0	2.1	1.4	1.5
Total supply	47.9	41.6	37.2	35.6
Demand				
Mill consumption	27.4	27.8	27.2	27.2
Consumption by SSI	3.08	3.0	2.0	2.0
Non-Mill consumption	2.02	2.2	1.8	1.8
Exports	7.5	4.2	1.6	1.5
Total Demand	40.0	37.2	32.6	32.4
Ending Stock	7.9	4.3	4.6	3.2

All India Kapas, Seed & Cotton Prices

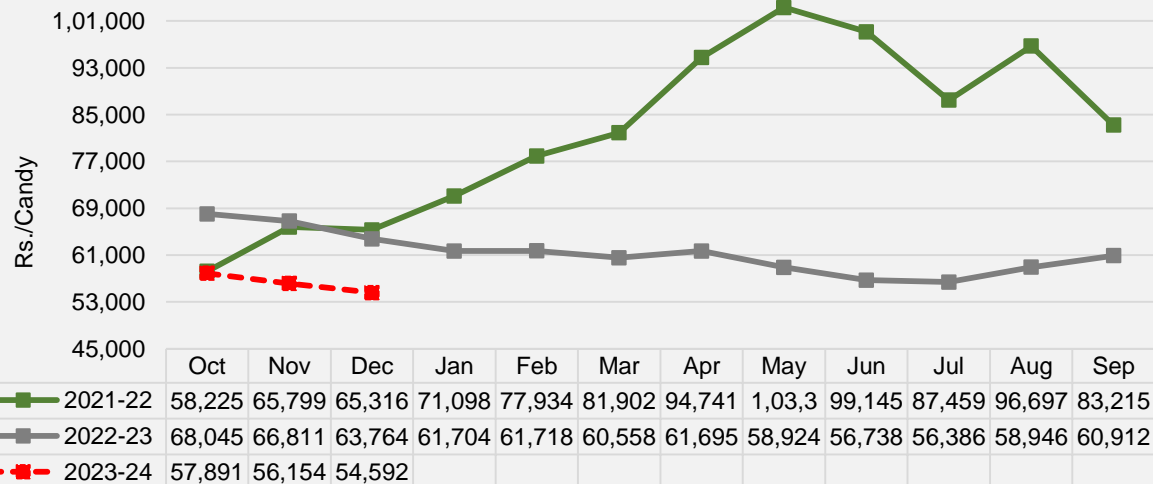
All India Average Kapas Prices



All India Average Cotton Seed Prices

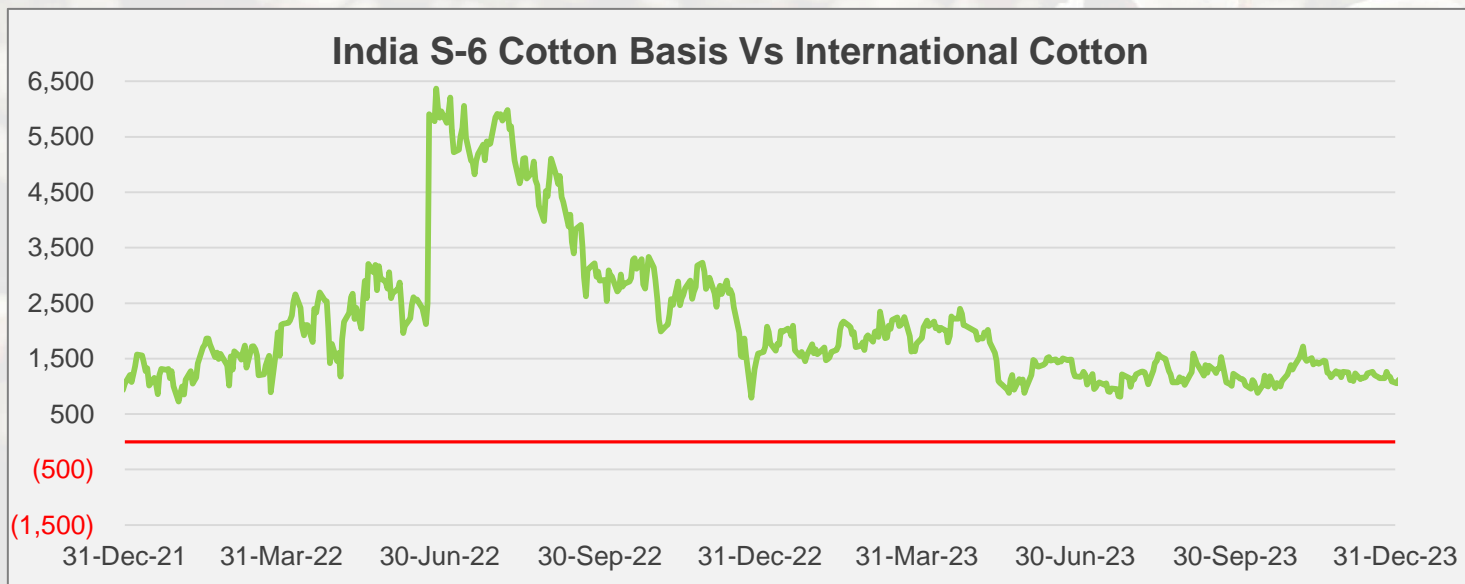
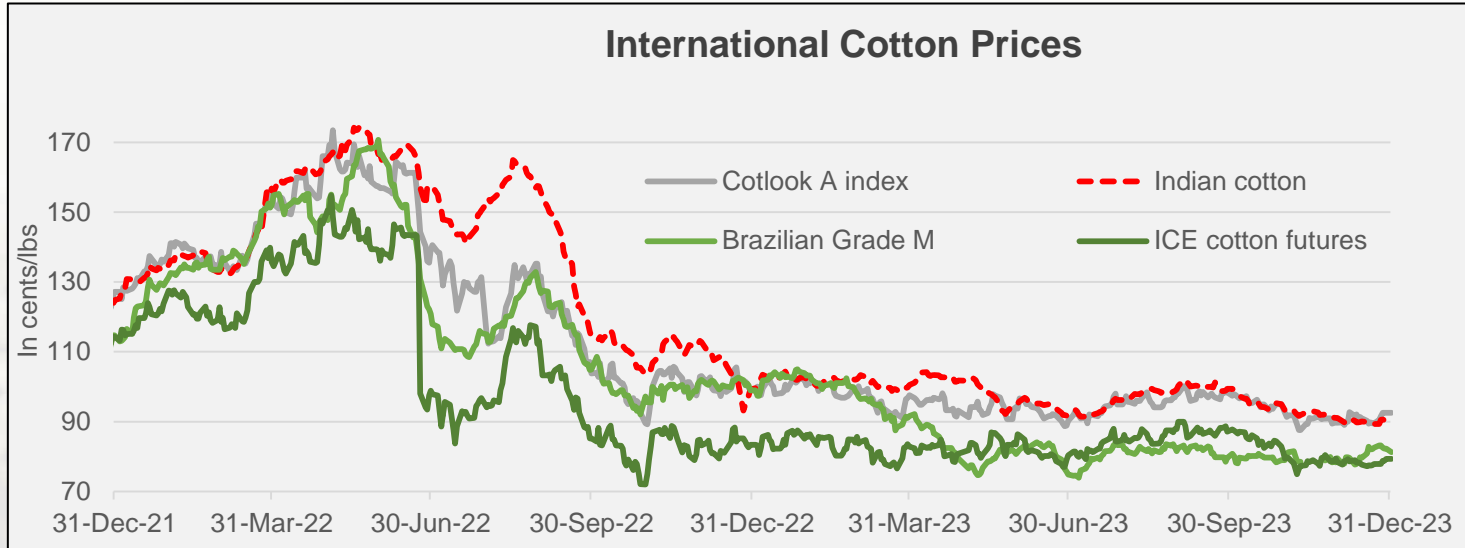


All India Average Cotton Lint Prices



- Although India's cotton production is expected to lower this year and mills are not functioning at full capacity amid a decline in downstream demand.
- According to Agriwatch, lower ending stock is estimated in the 2023-24 crop year but we may not see a drastic rise in domestic prices. The buyers are also cautious about the upcoming demand.
- However, the cotton prices fell in the last two years and have consolidated during the current year.

India Cotton Vs. International Cotton Prices



- In the above chart, Indian cotton prices are still hovering above international prices.
- India basis is around 1,000-1,200 ON against ICE cotton futures. However, the basis has fallen since the beginning of the year.
- Cotton exports for India will be challenging considering higher prices with the uncertain demand.

World Balance Sheet

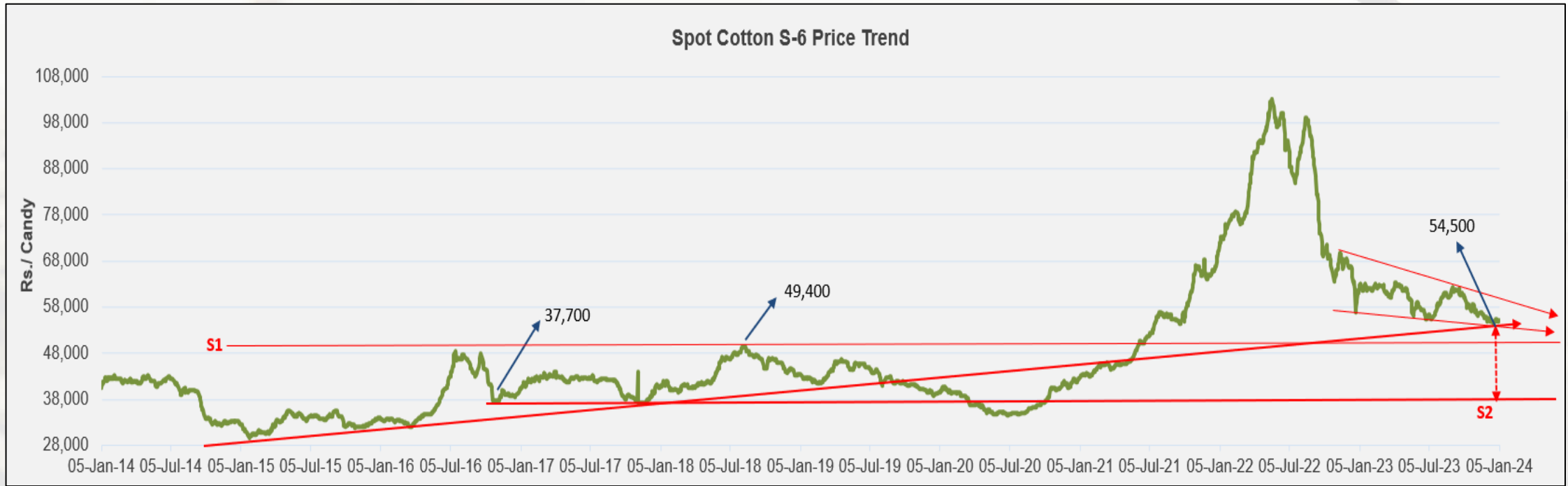
World Cotton Balance Sheet (In Million Bales)				
	2021-22	2022-23	2023-24*	% Change
Opening Stock	108.6	97.8	106.1	8.5%
Production	148.1	149.4	144.6	-3.2%
Imports	54.6	48.3	55.3	14.5%
Exports	55.3	47.4	55.3	16.5%
Domestic Consumption	148.5	142.8	145.7	2.0%
Ending Stock	108.2	106.1	105.5	-0.5%

Source: USDA *Global projected 2023-24; #estimated 2022-23

*Attribute Unit Description: Area in 1000 Ha; Yield of Cotton in Kg/Ha; Quantity of Cotton in 1000 480-lb Bales

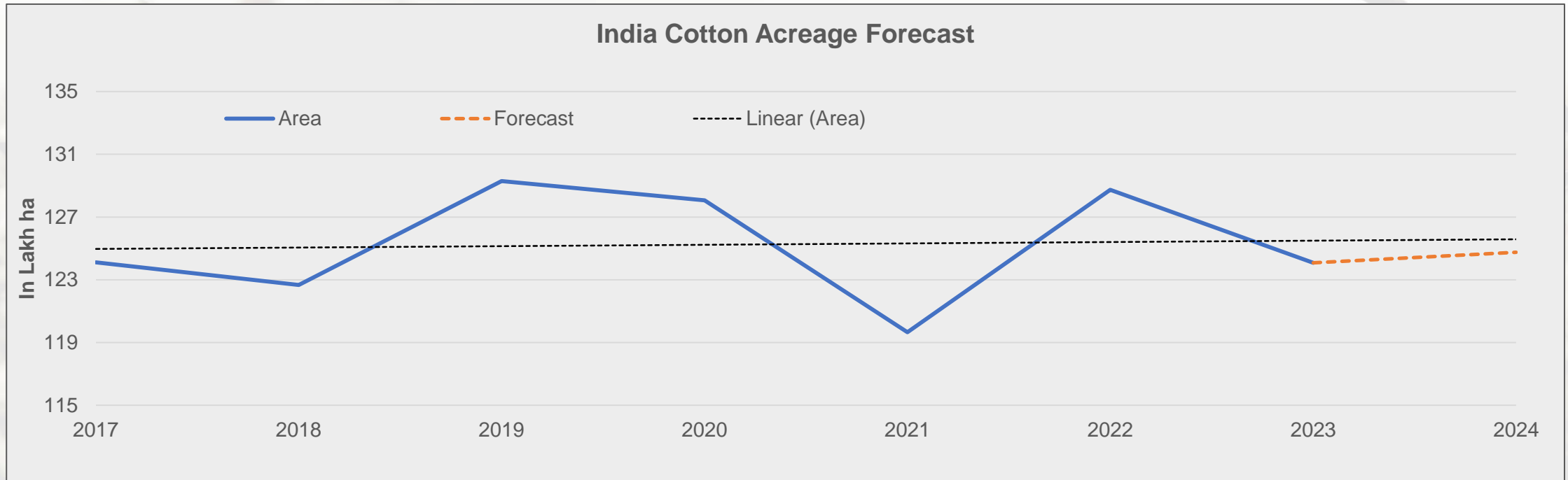
- Globally, world cotton production is expected to decline by 3.2% and the year has begun with higher opening stock while imports are expected to increase.
- On the demand side, consumption is likely to rise by 2% but a reduction of 7% and 3% in the US and China, respectively is expected.
- However, consumption is lower compared to the 2021-22 crop year and world-ending stock is reducing by just 0.5% y-o-y.

Domestic Cotton Price Outlook



- The prices have touched all - time high during May 2022.
- A falling wedge pattern is formed since the fall from the peak.
- The prices have taken support from the trend line and lower level of the falling wedge.
- If the prices breach this intersection point, a fall could be witnessed till the next support which is at 49,400 and further could test at 37,700 in the coming years.
- Otherwise prices are likely to move in a sideways trend.

Cotton Acreage Forecast for CY 2024-25



- Considering heavy infestation of PBW y-o-y resulting in lower yield, however, Cotton MSP is the highest comparatively with higher returns than other competing crops.
- We expect a change in cotton acreage would be marginal.
- According to the statistical analysis also, total cotton acreage may remain steady in the coming year.



Thank You