Emerging Cotton Glut – a Challenge for Stakeholders

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A slow but inexorable cotton glut is developing; and no one has a clue how to manage it. Farmers are sure to be at the receiving end of the stick.

For 2019-20, the government estimate of cotton production (released on May 15) is 360

GUEST COLUMN

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lakh bales (170 kilograms each). CAI has of course revised its estimate down to around 330 lakh bales and has estimated the year's closing stock at 50 lakh bales.

Be that as it may, Cotton Corporation of India has shown exemplary intervention by purchasing about 100 lakh bales in the season just concluded. The closing stock for the year with all state agencies is set to aggregate 120 lakh bales.

Looking ahead, the Ministry of Agriculture has set cotton production target for 2020-21 at 360 lakh bales. The IMD has forecast a 'normal' southwest monsoon and the onset has been timely.

Although these are early days, the initial sowing trends for cotton are encouraging. As of June 12 (latest date for which data are available at the time of writing), planted area has touched 19 lakh hectares versus 15.3 lakh hectares same time last year.

Total area planted to cotton is normally 120-122 lakh hectares. At this rate, there is high hope that the planted area will reach the normal level. Assuming satisfactory temporal and spatial

distribution of rains, the chances of achieving the production target of 360 lakh bales are high.

Come October, the country is likely to be flooded with mounds of cotton covering massive opening stock and fresh harvest totaling well over 450 lakh bales and possibly testing 500 lakh bales. The country has seldom been inundated with such humongous cotton stocks.

While the supply side points to a glut, the demand side is decidedly weak. The Covid-19 pandemic and consequent national lockdown has shuttered most mills for an extended period of time. Their financial condition is reported to be precarious. Banks are reluctant to lend despite the so-called stimulus package announced by the government and liquidity easing by the Reserve Bank of India.

In the last three months, the market has faced an alarming demand slump. This weakness is unlikely to change anytime soon. It would perhaps take the whole of the third quarter of this calendar year for gradual revival of business. Some mills face the prospect of a close down.

On the export front the outlook is far from rosy. China is most unlikely to buy cotton. Bangladesh is also facing the pandemic related economic challenges. So, we have a deadly combination – glut in supplies, weak domestic demand growth and poor export prospects.

Cotton prices are already ruling well below the minimum support price and the situation risks getting worse in the months ahead. The situation is fraught with possibilities. Growers are likely to be the worst hit with weak consumption and further slump in prices. Who will come to their rescue? How much more can state agencies like CCI buy and stock?

The country is going pay an enormous price. It appears no one in the policymaking circles or growers organisations or in the trade and industry, has sought to crystal-gaze into the future and come up with remedial plans.

It is perhaps a little too late to prevent a supply glut. The only way is to boost consumption demand. It may be necessary to incentivise the key value chain participants – spinning mills, garment manufacturers – to build inventory for enhancing domestic production as well as export value

added products. This could be one way to reduce the adverse consequences of a massive glut.

Of course, globally too cotton is suffering from the Corona crisis in the form of demand slump. USDA has estimated the demand loss this year at 15 percent. This will in turn lead to surplus stocks and large carryout for the season.

Yet, in a positive development, China is again buying US-origin cotton in decent quantities. According to reports, orders placed by China so far in 2019-20 have doubled as compared with same period last year.

The amount of US cotton already exported to China is four times as compared with last season. This has brightened the outlook for US cotton in the short-to-medium term. The only risk factor is the possibility of renewal of US-China trade friction.

Because China is buying, it should logically open up an opportunity for India as well. However, tension at the borders with China may prevent any trade overture.

It was unfortunate, that India missed out an opportunity to export cotton to China on a large scale in 2018 when US-China trade dispute was at its worst phase. This reflects our poor commercial intelligence and lackadaisical approach to exports.

It is time for policymakers and stakeholders to address the emerging issue of supply glut. The government's avowed objective of doubling farmers' income will go for a toss if stakeholders do not look ahead, plan and take steps to support the market. Within government circles there is little commercial intelligence about market outlook. So, it devolves on industry and trade bodies to educate the government.

The Covid-19 pandemic and lock down of cities has certainly disrupted normal life. Post-Covid, certain global mega trends are likely to define work and business life. The first would be greater technology infusion in every aspect of business. Digitisation and automation will accelerate. Artificial intelligence and robotics will gradually move to mainstream.

In trade, especially international trade, increasing use of block-chain technology will

be seen. In populous emerging markets such as India, agriculture will become increasingly mechanisd. Established global value chains have been disturbed and we may not see status quo-ante restored anytime soon.

The policy context will become increasingly complex. Countries will become more and more protectionist and their policies will be more welfare-oriented. There will be increased emphasis on food security especially through local production. Supply sources will be diversified and strategic inventory building may become the norm. Consumers will opt for health foods and healthy lifestyles.

Because global trade is set to shrink and global GDP set to move into negative territory, I expect the fight against slowing growth will be fierce. How soon 'normalcy' will be restored is hard to tell at this point in time. This is because no one can say with any degree of certainty when the pandemic will be contained.

Wider fiscal deficits and rising debt levels are already a cause for concern; and it can get worse. The highly accommodative monetary policy will continue for a longer time.

Players in the cotton value chain must recognise that 'business-as-usual' is not going to work anymore. They must take note of the emerging trends and adapt themselves to the changing circumstances. 'The fittest and fastest will survive'.

(The views expressed in this column are of the author and not that of Cotton Association of India)

Update on Cotton Acreage (As on 09.07.2020)

(Area in Lakh Ha)

Sr. No.	State	Normal Area (DES)*	Normal Area as on Date (2015-2019)	Area Covered (SDA)					
				2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Andhra Pradesh	6.56	1.635	1.861	0.810	1.420	2.854	2.030	1.060
2	Telangana	17.01	11.393	18.222	10.820	11.127	12.780	9.410	12.830
3	Gujarat	26.04	17.350	18.252	18.760	11.441	19.900	13.650	23.000
4	Haryana	6.07	6.152	7.370	6.760	6.650	6.560	4.980	5.810
5	Karnataka	6.47	2.096	2.837	1.219	2.260	2.410	1.710	2.880
6	Madhya Pradesh	5.65	5.122	5.870	5.180	5.240	4.880	5.000	5.310
7	Maharashtra	41.48	29.633	38.039	22.776	30.847	31.360	29.910	33.271
8	Odisha	1.31	0.822	0.800	0.702	0.730	1.050	0.800	0.830
9	Punjab	3.56	3.554	5.010	4.020	2.840	3.850	2.560	4.500
10	Rajasthan	4.77	4.634	6.514	6.360	4.740	4.900	3.680	3.490
11	Tamil Nadu	1.61	0.036	0.050	0.035	0.033	0.050	0.031	0.030
12	Others	0.43	0.222	0.000	0.271	0.172	0.286	0.170	0.210
	All India	**120.967**	**82.649**	**104.825**	**77.712**	**77.500**	**90.880**	**73.931**	**93.221**

* Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare, Krishi Bhavan, New Delhi
Source : Directorate of Cotton Development, Nagpur

All India Weather Summary and Forecast

Significant Weather Features

♦ The monsoon trough at mean sea level now passes through Amritsar, Chandigarh, Bareilly, Azamgarh, Jamui, Dumka, Canning and thence southeastwards to North Bay of Bengal. It is likely to shift further southwards during next 48 hours. Under its influence, fairly widespread to widespread rainfall with isolated heavy falls is likely over the plains of Northwest India during 15-17 July, 2020 with maximum intensity and distribution of rainfall on 16th July.

♦ Under the influence of strong lower level wind convergence along the West coast, isolated to scattered heavy to very heavy falls are likely over north Madhya Maharashtra and north Konkan & Goa during 14-16 July, 2020 with Isolated extremely heavy falls on 15th July.

♦ In view of reduction in convergence of lower level southwesterly/southerly winds from Bay of Bengal and revival of the monsoon trough, intensity of rainfall over Northeast India has substantially reduced. However, Isolated heavy falls are likely over the region during next 3-4 days. Isolated heavy to very heavy falls are likely over Bihar and Sub-Himalayan West Bengal & Sikkim during next 3 days.
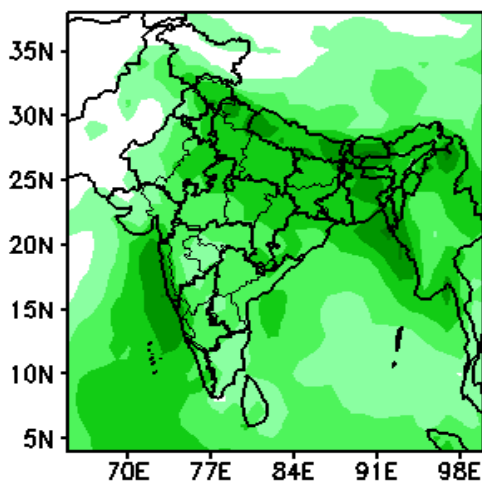
♦ Intense thunderstorm & lightning potential zone: Moderate to severe thunderstorm & lightning very likely over East Uttar Pradesh, south Bihar, Jharkhand, Gangetic West Bengal, north Madhya Pradesh and East Rajasthan during next 12 hours.

Main Weather Observations

♦ Rain/Thundershowers observed (from 0830 hours IST of yesterday to 0830 hours IST of today): at most places over Andaman & Nicobar Islands, Arunachal Pradesh, Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, West Bengal & Sikkim, Gujarat Region, Konkan & Goa, Vidarbha, Chhattisgarh, Coastal Karnataka and Lakshadweep; at many places over Odisha, Jharkhand, Bihar, Haryana, Chandigarh & Delhi, Punjab, East Rajasthan, Saurashtra &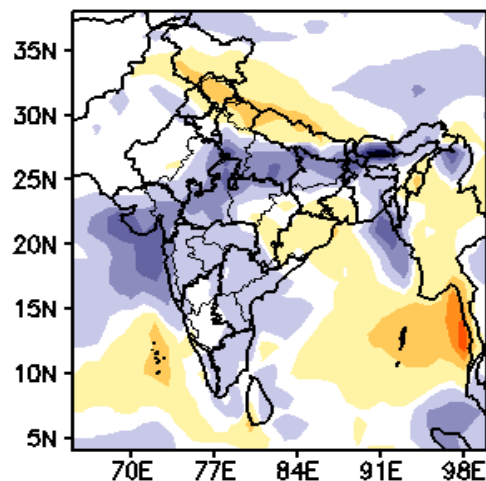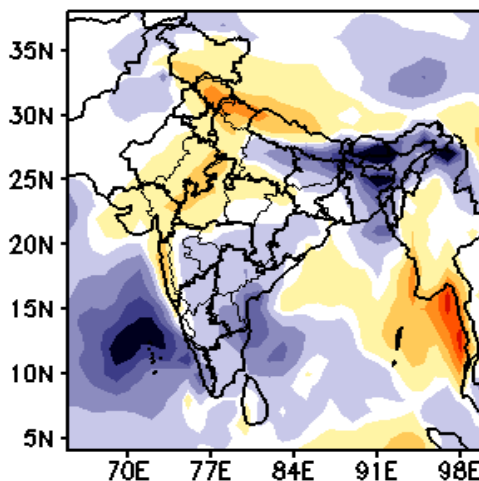 Kutch, Coastal Andhra Pradesh & Yanam and Kerala; at a few places over West Rajasthan, Madhya Pradesh, Madhya Maharashtra, Marathwada, Telangana, Rayalaseema and Interior Karnataka and at isolated places over Uttar Pradesh, Uttarakhand, Himachal Pradesh, Jammu & Kashmir, Ladakh, Gilgit-Baltistan & Muzaffarabad and Tamilnadu, Puducherry & Karikal.

♦ Rainfall recorded (from 0830 hours IST of yesterday to 0830 hours IST of today) (7 cm or more): Cherrapunji-18: Chepan-15; Kailashahar and Baroblisha-13; Alipurduar-12; Venkatapur-11; Bagafa and Utnur-10; Panisagar, Jalpaiguri and Durg-9 each; Udaipur-8; Churu, Mumbai(Santacruz), Goa/Panjim, Chennai, Kolkata, Silchar, Garividi and Jiyyamma Valas, Chennai and Raiganj-7 each.
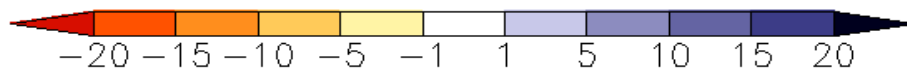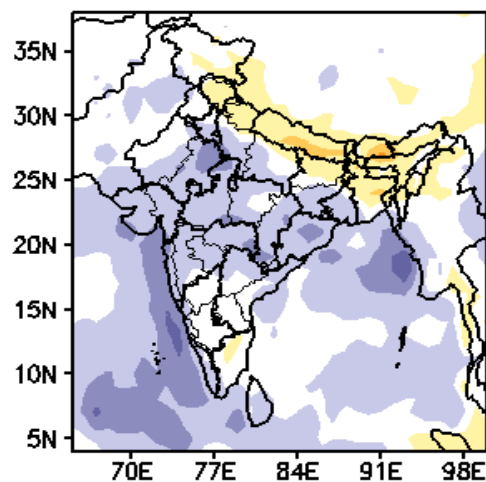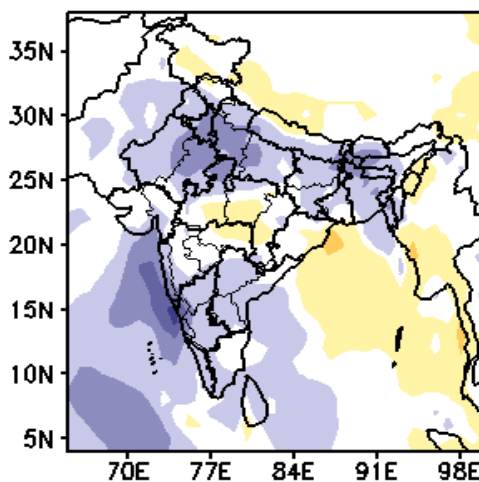

Forecast Rainfall Anomaly (mm/day)
(Week1: 10Jul–16Jul) (Week2: 17Jul–23Jul)
(Week3: 24Jul–30Jul) (Week4: 31Jul–06Aug)
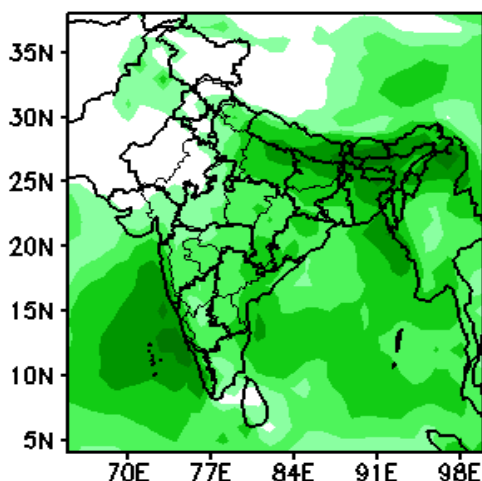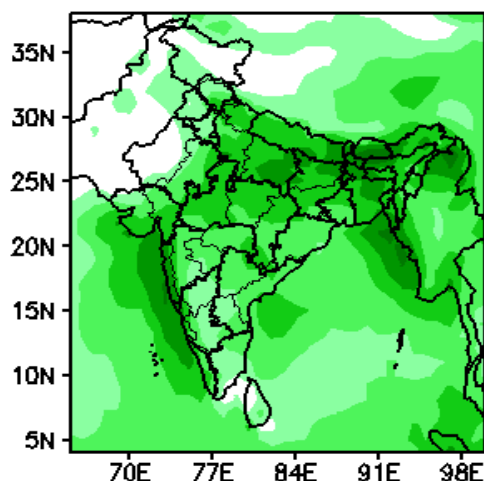
♦ Heavy to very heavy rainfall observed at isolated places over Assam & Meghalaya, Nagaland, Manipur, Mizoram & Tripura, and SubHimalayan West Bengal & Sikkim and Andaman & Nicobar Islands; heavy rainfall at isolated places over Gangetic West Bengal, Chhattisgarh, Coastal Andhra Pradesh & Yanam, West Rajasthan, Konkan & Goa, Telangana, Rayalaseema and Tamil Nadu, Puducherry & Karaikal.

♦ Thunderstorm observed (from 0830 hours IST of yesterday to 0830 hours IST of today): at isolated places over Haryana, Chandigarh & Delhi, East Uttar Pradesh, Bihar, Jharkhand, Odisha, Vidharbha, Coastal Andhra Pradesh & Yanam, Nagaland, Manipur, Mizoram & Tripura, West Rajasthan, West Madhya Pradesh, Chhattisgarh, Gangetic West Bengal, Tamilnadu, Puducherry & Karaikal and Rayalaseema.

Weather Forecast for next 5 days * upto 0830 hours IST of 17th July, 2020

♦ Meteorological sub-division wise detailed 5 days precipitation forecast is given in table below.

♦ No significant change in maximum temperatures likely over most parts of the country during next 3-4 days.

Weather Outlook for subsequent 2 days from 18th July, 2020 to 20th July, 2020

♦ Fairly widespread to widespread rainfall/ thundershowers likely over entire country except over West Rajasthan, Gujarat and Western Himalayan Region where scattered to fairly widespread rainfall/thundershowers likely. Isolated heavy to very heavy falls are likely over northeast & central India and along the west coast.

5 Day Rainfall Forecast (MID-DAY)
13-July-2020

Met-Sub-Division	13-Jul Today	14Jul Tue	15Jul Wed	16Jul Thu	17Jul Fri
1. Andaman & Nicobar Islands	WS	WS	WS	FWS	FWS
2. Arunachal Pradesh	WS	WS	WS	FWS	FWS
3. Assam & Meghalaya	WS	WS	WS	WS	FWS
4. N. M. M. & T.	WS	WS	WS	WS	FWS
5. S.H. West Bengal & Sikkim	WS	WS	WS	WS	WS
6. Gangetic West Bengal	WS	WS	WS	FWS	FWS
7. Odisha	WS	WS	FWS	FWS	FWS
8. Jharkhand	WS	WS	WS	FWS	FWS
9. Bihar	WS	WS	FWS	FWS	FWS
10. East Uttar Pradesh	FWS	FWS	FWS	WS	WS
11. West Uttar Pradesh	ISOL	SCT	FWS	FWS	FWS
12. Uttarakhand	SCT	FWS	FWS	WS	WS
13. Haryana, Chd & Delhi	ISOL	ISOL	SCT	FWS	FWS
14. Punjab	ISOL	ISOL	SCT	FWS	FWS
15. Himachal Pradesh	ISOL	ISOL	SCT	FWS	FWS
16. J & K and Ladakh	ISOL	ISOL	SCT	SCT	SCT
17. West Rajsthan	ISOL	ISOL	ISOL	SCT	SCT
18. East Rajasthan	SCT	SCT	FWS	FWS	FWS
19. West Madhya Pradesh	SCT	FWS	WS	WS	FWS
20. East Madhya Pradesh	FWS	WS	WS	WS	FWS
21. Gujarat Region	FWS	FWS	WS	WS	FWS
22. Saurashtra & Kutch	FWS	FWS	FWS	WS	FWS
23. Konkan & Goa	WS	WS	WS	WS	WS
24. Madhya Maharashtra	FWS	WS	WS	WS	FWS
25. Marathawada	FWS	WS	WS	WS	FWS
26. Vidharbha	FWS	WS	WS	WS	FWS
27. Chhattisgarh	WS	WS	WS	FWS	FWS
28. Coastal A. P. & Yanam	FWS	FWS	SCT	SCT	SCT
29. Telangana	FWS	FWS	WS	SCT	SCT
30. Rayalaseema	FWS	SCT	SCT	FWS	ISOL
31. T.N.,Puducherry & Karaikal	SCT	ISOL	ISOL	ISOL	ISOL
32. Coastal Karnataka	WS	WS	WS	WS	WS
33. North Interior Karnataka	FWS	WS	WS	FWS	SCT
34. South Interior Karnataka	WS	WS	WS	FWS	SCT
35. Kerala & Mahe	WS	WS	WS	WS	WS
36. Lakshadweep	WS	WS	WS	WS	WS

% Station Reporting Rainfall

% Stations	Category	% Stations	Category
76-100	Widespread (WS/Most Places)	26-50	Scattered (SCT/ A Few Places)
51-75	Fairly Widespred (FWS/ Many Places)	1-25	Isolated (ISOL)
No Rain	Dry		

UPCOUNTRY SPOT RATES

(Rs./Qtl)

Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	6th	7th	8th	9th	10th	11th
								Spot Rate (Upcountry) 2019-20 Crop July 2020					
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	10264 (36500)	10264 (36500)	10264 (36500)	10264 (36500)	10292 (36600)	10292 (36600)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	10461 (37200)	10461 (37200)	10461 (37200)	10461 (37200)	10489 (37300)	10489 (37300)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	5821 (20700)	5765 (20500)	5765 (20500)	5765 (20500)	5821 (20700)	5849 (20800)
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	7283 (25900)	7199 (25600)	7142 (25400)	7086 (25200)	7030 (25000)	7030 (25000)
5	M/M (P)	ICS-104	Fine	24mm	4.0 – 5.5	4%	23	7761 (27600)	7845 (27900)	7930 (28200)	8014 (28500)	8099 (28800)	8155 (29000)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	9505 (33800)	9476 (33700)	9448 (33600)	9476 (33700)	9505 (33800)	9505 (33800)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	7002 (24900)	7030 (25000)	7058 (25100)	7114 (25300)	7199 (25600)	7199 (25600)
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	9589 (34100)	9589 (34100)	9561 (34000)	9589 (34100)	9617 (34200)	9617 (34200)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	7255 (25800)	7339 (26100)	7396 (26300)	7452 (26500)	7536 (26800)	7592 (27000)
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	8689 (30900)	8717 (31000)	8717 (31000)	8773 (31200)	8802 (31300)	8802 (31300)
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	9673 (34400)	9673 (34400)	9645 (34300)	9673 (34400)	9701 (34500)	9701 (34500)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	9420 (33500)	9420 (33500)	9420 (33500)	9476 (33700)	9505 (33800)	9505 (33800)
13	SA/TL	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	9533 (33900)	9533 (33900)	9533 (33900)	9561 (34000)	9589 (34100)	9589 (34100)
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	9308 (33100)	9364 (33300)	9420 (33500)	9476 (33700)	9561 (34000)	9561 (34000)
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	9729 (34600)	9729 (34600)	9729 (34600)	9758 (34700)	9786 (34800)	9786 (34800)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	9701 (34500)	9701 (34500)	9701 (34500)	9758 (34700)	9814 (34900)	9814 (34900)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	9786 34800	9786 34800	9786 34800	9842 35000	9870 35100	9870 35100
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	9758 (34700)	9758 (34700)	9758 (34700)	9786 (34800)	9842 (35000)	9842 (35000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	9983 (35500)	9983 (35500)	9983 (35500)	10039 (35700)	10067 (35800)	10067 (35800)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	10067 (35800)	10067 (35800)	10067 (35800)	10095 (35900)	10123 (36000)	10123 (36000)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	10179 (36200)	10179 (36200)	10179 (36200)	10179 (36200)	10208 (36300)	10208 (36300)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	10236 (36400)	10236 (36400)	10236 (36400)	10236 (36400)	10264 (36500)	10264 (36500)
23	SA/TL/K/TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	10461 (37200)	10461 (37200)	10461 (37200)	10461 (37200)	10461 (37200)	10461 (37200)
24	M/M(P)	ICS-107	Fine	34mm	3.0 - 3.8	4%	33	14763 (52500)	14763 (52500)	14763 (52500)	14763 (52500)	14763 (52500)	14763 (52500)
25	K/TN	ICS-107	Fine	34mm	3.0 - 3.8	3.5%	33	15185 (54000)	15185 (54000)	15185 (54000)	15185 (54000)	15185 (54000)	15185 (54000)

Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [By law 66 (A) (a) (4)]

(Note: Figures in bracket indicate prices in Rs./Candy)