

DOMESTIC COTTON CROP SCENARIO

According to the report released by Pakistan Cotton Ginner's Association as on 1st February, 2020 the arrivals of seed cotton into ginning factories witnessed decline of 20.0% to 8.487 million bales as compared to 10.606 million bales recorded in the corresponding period last year. The arrivals in Punjab declined by 22.4 percent to 5.014 million bales as compared to 6.461 million bales in last year.

Similarly, the arrivals in Sindh also remained decreased by 16.2 percent to 3.472 million bales as compared to 4.144 million bales in the same period of last year. The key factors of decline in production both in Punjab and Sindh were extra ordinary temperature rise (day and night) during the month of September, 2019, thereby hampering the late season fruit development. Similarly, irrigation-water shortage in Sindh especially at critical stages of crop development, severe attack of Pink boll worm both in Punjab and Sindh, white fly attack and lower seed cotton prices with rising input costs remained key elements for affecting cotton production.

Table-1: ESTIMATES OF COTTON CROP VOLUME 2019-20 SEASON (Bales = 170 Kg)

Province	Expected Production (million bales)
Punjab	6.671
Sindh	2.68
Baluchistan & Khyber PakhtunKhwa	0.098
Pakistan	9.451

Source: Second Cotton Crop Assessment Committee Meeting held on 19.12.2019.

Table-2: TARGETS FOR AREA AND PRODUCTION OF COTTON CROP 2019-20

S. No	Province	Area (Million Hectares)	Production (Million bales)
1.	Punjab	2.145	7.90
2.	Sindh	0.640	4.60
3.	Khyber PakhtunKhw	0.010	0.02
4.	Baluchistan	0.100	0.20
Total of Pakistan		2.895	12.72

Source: Provincial Agriculture Departments.

Table -3: PROVINCE -WISE SOWING POSITION OF COTTON CROP DURING 2019-20 SEASON (Million Hectares)

Province	Target 2019-20	Area Sown		% Change Over	
		2019-20	2018-19	Target	Last Year
Punjab	2.145	1.860	1.888	86.7%	-1.5
Sindh	0.640	0.615	0.448	96.0%	+37.3
Khyber PakhtunKhw	0.010	0.00010	0.00016	1.0%	-37.5
Balochistan	0.100	0.038	0.037	38.0%	+2.7
Total	2.895	2.513	2.373	86.8%	+5.9

Source: Provincial Agriculture Departments

Table-4: SEED COTTON ARRIVALS AS ON 01st FEBRUARY, 2020

(Bales)

Heads	2019-20 (Season)			2018-19 (Season)		
	Punjab	Sindh	Total	Punjab	Sindh	Total
Arrivals	5,014,203	3,472,901	8,487,104	6,461,080	4,144,666	10,605,746
Sales to Exporters	0	58,666	58,666	2800	98,100	100,900
Sales to Textile Mills	4,433,760	3,198,303	7,632,063	5,367,296	3,647,602	9,014,898
Sales to T.C.P	-	-	-	-	-	-
Unsold Stock	519,359	211,405	730,764	1,033,989	396,405	1,430,394
Un-ginned Stock	61,084	4,527	65,611	56,995	2,559	59,554

Source: Pakistan Cotton Ginners Association.

Table-5: SEED COTTON PRICES (MONTHLY AVERAGES) 2017-18 , 2018-19& 2019-20

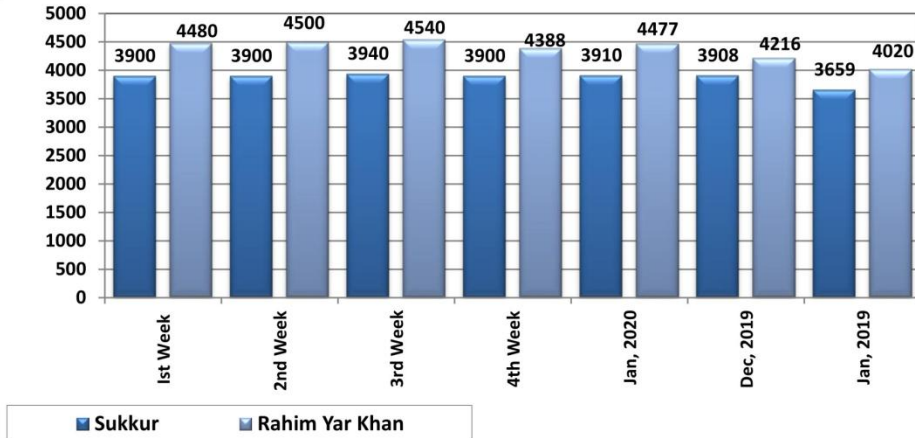
(Rs. per 40 Kg)

Months	Hyd	M.P. Khas	Ghotki	Khair Pur	Sukr	R.Y. Khan	Bahawal Pur	Vehari	Mian Channu	Sahiwal	Lodhran	D.G. Khan	Multan	Burewala
July,2019	-	3912	-	-	-	-	-	4204	3985	4049	-	-	-	4134
August, 2019	3436	3431	-	-	-	3919	3797	3875	3787	3825	-	-	3816	3857
September,2019	3657	3645	3811	3996	3957	4047	3762	3898	3798	3657	3798	3823	3879	3865
October,2019	3763	3129	4221	4178	4114	4440	4183	4145	4020	3851	4048	4285	4242	4131
November,2019	3730	2500	4292	4078	4083	4388	4198	4244	4080	3788	4055	4653	4336	4120
December,2019	3480	-	4087	3668	3908	4216	4133	3860	3622	3270	3600	-	4000	3871
January,2020	-	-	4265	3580	3910	4477	4472	4013	3558	-	-	-	4000	4064
Average 2019-20	3613	3323	4135	3900	3994	4248	4091	4034	3836	3740	3875	4254	4046	4006
June,2018	3975	-	-	-	-	-	-	-	-	-	-	-	-	-
July,2018	4232	-	-	-	4240	-	-	-	-	-	-	-	-	-
August,2018	3852	3869	-	-	-	3991	-	3899	3734	-	-	-	-	3893
September,2018	3764	3810	-	3695	3716	3921	3665	3687	3606	3671	-	-	3602	3705
October,2018	3805	3667	-	3783	3839	4046	3898	3886	3790	3759	-	-	3906	3915
November,2018	3782	3544	-	3850	3999	4173	4048	3948	3841	3780	-	-	4016	3874
December,2018	3554	3459	-	3748	3963	4095	3908	3833	3703	3850	-	-	3971	3828
January,2019	-	-	-	3715	3659	4020	3949	3640	3457	-	-	-	3800	3783
February,2019	-	-	-	-	-	4035	3725	3556	3254	-	-	-	-	3761
March,2019	-	-	-	-	-	3914	-	3635	-	-	-	-	-	3783
April,2019	-	-	-	-	-	3876	-	-	-	-	-	-	-	-
Average 2018-19	3855	3670	-	3758	3835	4031	3866	3761	3626	3765	-	-	3859	3818
Average 2017-18	2929	2905	-	3,086	3173	3037	3149	2838	3014	2906	-	-	3,020	2899

Source: Market Report

Figure-I: SEED COTTON PRICES DURING JANUARY, 2020

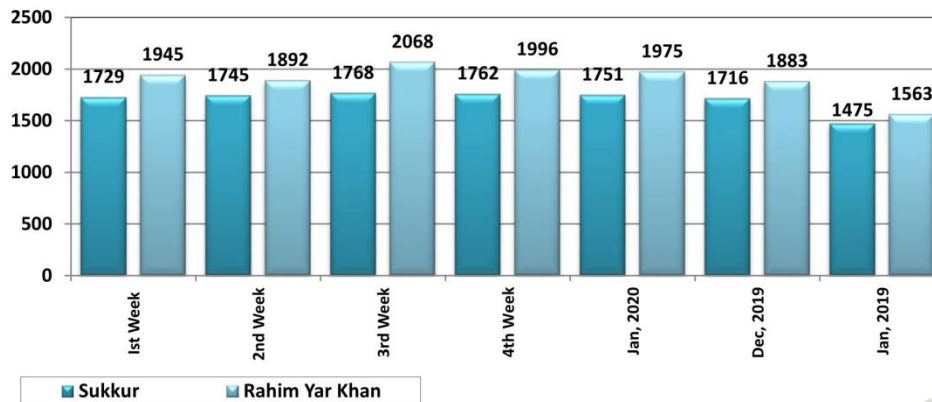
(Rs per 40 kg)



Source: Market Report .

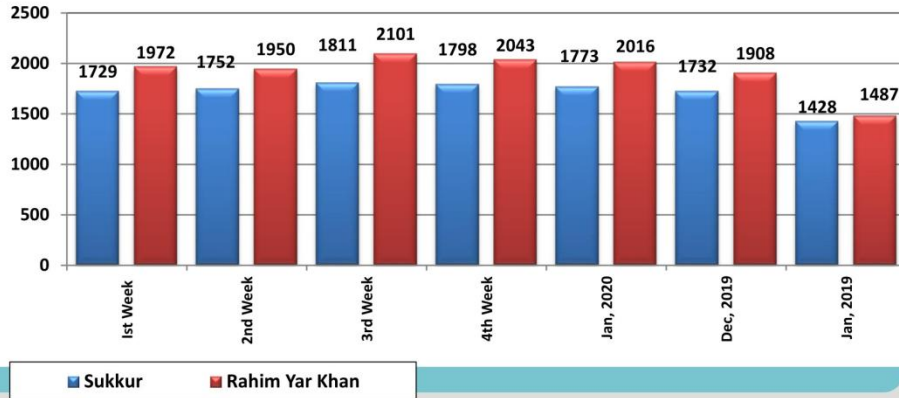
Figure-II: COTTON SEED PRICES DURING JANUARY, 2020

(Rs per 40 kg)



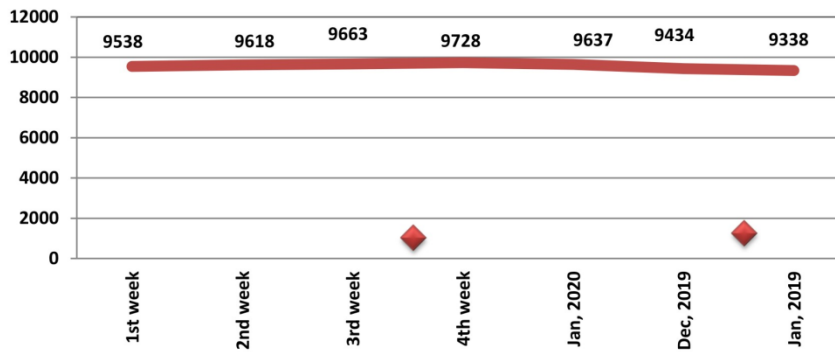
Source: Market Report

Figure-III: COTTON SEED CAKE PRICES DURING JANUARY, 2020 (Rs per 40 kg)



Source: Market Report

Figure-IV: KCA SPOT RATE (EX-GIN) AT KARACHI DURING JANUARY, 2020 (Rs per 40 kg)



Source: The Karachi Cotton Association.

The graph above indicates that the prices of raw cotton during the month of January, 2020 depicted increasing trend and were recorded at Rs.9,637per 40 kg as compared to Rs. 9,434 in December, 2019. Whereas, the prices in January, 2019 were registered lower at Rs. 9,338 per 40 kg. Month-wise details are given in table below:

Table-6: MONTHLY AVERAGE PRICES OF RAW COTTON DURING 2019-20, 2018-19 & 2017-18

Month	2018-19	2017-18
	Ex-Gin Rate	Ex-Gin Rate
August,2018	9171	6650
September,2018	8735	6468
October,2018	8986	6570
November,2018	9410	6945
December,2018	9403	7397
January,2019	9338	8132
February,2019	9221	7531
March,2019	9241	7920
April,2019	9420	8004
May,2019	9371	7986
June,2019	9346	8075
July,2019	8927	9213
Average 2018-19	9214	7574
August,2019	8483	9171
September,2019	8933	8735
October,2019	9542	8986
November,2019	9808	9410
December,2019	9434	9403
January,2020	9637	9338
Average 2019-20	9306	9174

Source: Karachi Cotton Association.

Table 7: COTTON BALANCE SHEET DURING 2015-16, 2016-17, 2017-18 AND 2018-19 (Bale= 170kg)

Sr. No.	Position	2015-16		2016-17		2017-18*		2018-19*	
		'000' Bales	'000'M/Tons	'000' Bales	'000' M/Tons	'000' Bales	'000'M/Tons	'000' Bales	'000'M/Tons
1.	Carryover	550	93	0	0	439	75	949	162
2.	Production	9917	1686	10670	1814	11945	2031	9,860	1676
3.	Imports	2453	417	2976	506	3521	599	2439	415
	Total	12920	2196	13646	2320	15905	2705	13248	2253
4.	Mill Consumption	12633	2147	13060	2220	14749	2508	12085	2055
5.	Exports	287	49	147	25	207	35	75	13
6.	End Season Stocks	0	0	439	75	949	162	1088	185
	Total	12920	2196	13646	2320	15905	2705	13248	2253

Source: i) Textile Commissioners Organization (Mill Consumption for 2017-18(August to June) and for 2018- 2019 (August to April,2019).

ii) Pakistan Bureau of Statistics. (Imports &Exports).

iii) Provincial Crop Reporting Service Department and D.G Agriculture (Extension) Department.(Production)

*Provisional.

COTTON YARN PRICES:

The Cotton Yarn prices of 21's and 30's count in January, 2020 remained unchanged at previous month's level of Rs 1,656 and Rs.1,832 per bundle of 4.5 kg respectively. However, the same counts in the corresponding month of last year were recorded lower at Rs.1,532 and Rs.1,788 per bundle respectively. Details are given as below:

Table-8: DOMESTIC COTTON YARN PRICES DURING JANUARY, 2020.

(Rs. per bundle of 4.54 kg)

Count/ Week	W E E K				January 2020	December 2019	January 2019
	I	II	III	IV			
10/1	1465	1465	1465	1465	1465	1468	1316
16/1	1587	1587	1597	1597	1592	1599	1464
21/1	1656	1656	1656	1656	1656	1656	1532
22/1	1675	1675	1675	1675	1675	1675	1550
26/1	1737	1737	1737	1737	1737	1737	1687
28/1	1800	1800	1800	1800	1800	1800	1750
30/1	1832	1832	1832	1832	1832	1832	1788
32/1	1850	1850	1850	1850	1850	1850	1800
40/1	2250	2250	2250	2250	2250	2250	2300
52/1	2250	2250	2250	2250	2250	2550	2250
60/1	2650	2650	2650	2650	2650	2650	2600
70/1	2700	2700	2700	2700	2700	2700	2700
20/2	1780	1780	1780	1780	1780	1780	1602

Source: Pakistan Yarn Merchants Association, Karachi.

Table-9: EXPORTS OF TEXTILE GROUP COMMODITIES DURING DECEMBER, 2019.

(Value = Rs. In Millions)

Commodities	Unit	December 2019		November 2019		December 2018		% Change Over November 2019		July -December 2019		July -December 2018		% Change	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	806	163	1,544	321	163	40	-47.80	-49.22	11,500	2,410	8,689	1,795	32.35	34.26
Cotton Yarn	M.T	23,702	9,041	41,788	15,305	29,605	10,514	-43.28	-40.93	221,839	85,317	207,632	70,386	6.84	21.21
Bed Wear	M.T	35,232	28,566	39,439	30,368	34,764	26,723	-10.67	-5.94	240,939	187,562	215,724	149,859	11.69	25.16
Towels	M.T	14,633	9,506	15,601	10,157	14,748	8,811	-6.20	-6.41	91,120	59,307	89,406	48,829	1.92	21.46
Cotton Cloth	Th.SQ	180,524	25,759	184,112	26,152	228,422	23,838	-1.95	-1.50	1,307,464	158,609	1,330,118	135,748	1.70	16.84
Synthetic Fiber	Th.SQ	34,707	4,859	31,036	4,252	34,985	3,456	11.83	14.28	235,540	26,165	182,478	19,068	29.08	37.22
Knitwear	Th.DoZ	11,302	41,324	10,400	41,460	10,875	36,037	8.67	-0.33	62,539	248,546	59,189	190,817	5.66	30.25
Readymade Garments	Th.DoZ	5,121	39,659	5,563	38,943	4,564	32,935	-7.95	1.84	31,534	220,989	23,823	163,028	32.37	35.55

Source: Pakistan Bureau of Statistics, Karachi.

The table above indicates that the exports of raw cotton and its related produce remained declined except synthetic fiber and knitwear during December, 2019. The raw cotton exports decreased to 806 metric tons valuing Rs. 163 million as compared to 1,544 metric tons amounting to Rs. 321 million in November, 2019. However, the exports in December, 2018 recorded at 163 metric tons amounting to Rs. 40 million, showing decrease of 47.8 percent in quantity and 49.2 percent in value over November, 2019.

Table-10: IMPORTS OF TEXTILE GROUP COMMODITIES DURING DECEMBER, 2019.

(Value = Rs. In Millions)

Commodities	Unit	December 2019		November 2019		December 2018		% Change Over November 2019		July-December 2019		July- December 2018		% Change	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	14,620	3,703	8,990	2,551	12,999	3,329	62.62	45.15	49,571	13,624	65,172	15,519	-23.94	-12.21
Synthetic Fiber	M.T	28,573	6,057	29,832	6,329	23,756	7,202	-4.22	-4.30	145,727	35,218	139,027	37,264	4.82	-5.49
Synthetic & Artificial Silk Yarn	M.T	27,896	8,193	26,933	8,758	25,702	7,521	3.58	-6.45	131,589	42,645	139,422	39,031	-5.62	9.26
Worn Clothing	M.T	31,295	2,144	36,976	2,576	42,059	2,158	-15.36	-16.77	190,643	13,222	232,161	11,067	-17.88	19.47
Other Textile Items	-	-	8,689	-	9,281	-	12,717	-	-6.38	-	48,615	-	70,736	-	-31.27

Source: Pakistan Bureau of Statistics, Karachi.

The table above shows that the imports of raw cotton during December, 2019 witnessed rising tendency to 14,620 metric tons amounting to Rs.3,703 million as compared to 8,990 metric tons valuing Rs.2,551 million in November,2019. Whereas the imports in December, 2018 recorded at 12,999 metric tons amounting to Rs.3,329 million, showing an increase of 62.62 percent in quantity and 45.15 percent in value over November, 2019.

ECONOMICS OF COTTON AND COMPETING CROPS

Cotton a Kharif crop, competes with rice, sugarcane and other crops for land, water and other farm resources in the area where the cultivation of all other crops is technically feasible. Mainly cotton faces indirect competition from sugarcane, the annual crop which keeps the land throughout the year. The economics of cotton and competing crops has been analyzed on the basis of inputs-outputs costs paid and received by the growers during 2016-17 year. The summary of various indicators for Punjab and Sindh are presented in table as under:

Table-11: ECONOMICS OF SEED COTTON AND COMPETING CROPS AT PRICES REALIZED BY THE GROWERS 2016-17 CROP

S. No.	Province /Crops/ Crop Combination	Output Input ratio	Gross Revenue Per		
			Rupee of Purchased inputs cost	Day of Crop Duration	Acre inch of irrigation water used
Rupees					
1	2	3	4	5	
PUNJAB					
1.	Seed Cotton	1.09	3.37	246	2680
2.	Basmati Paddy	0.99	2.21	243	755
3.	IRRI Paddy	0.79	1.89	173	502
4.	Cotton + Wheat	1.10	3.63	245	3030
5.	Cotton + Sunflower	1.13	3.36	258	2459
6.	Sugarcane	1.16	4.55	237	1943
SINDH					
1.	Seed Cotton	1.11	3.94	232	3087
2.	IRRI Paddy	1.19	3.58	240	773
3.	Cotton + Wheat	1.11	3.86	231	3231
4.	Cotton + Sunflower	1.16	4.17	249	2618
5.	Sugarcane	1.25	4.28	232	1597

Source: API's Seed Cotton Policy Analysis Report 2017-18 Crop.

Table-12: EXPORT PARITY PRICE OF SEED COTTON ON THE BASIS OF ACTUAL AVERAGE EXPORT PRICE OF PAKISTANI COTTON

Sr. No.	Item	December, 2019
01.	Actual average export price per 40 Kgs	8,089 (Rupees) or 59.01 (US Cents per Lb)
02.	Marketing expenses (export & purchase incidentals, insurance & financial expenses) per 40 kgs	455
03.	Ex-gin price of lint per 40 kgs (item 1-item 2)	7634
04.	Value of 80 Kgs of cotton seed (b)	3766
05.	Ginning charges for 120 Kgs of seed cotton	600
06.	Value of 120 Kgs of seed cotton (c) (item 3+4-item 5)	10,800
07.	Seed cotton price per 40 Kgs (item 6/3)	3,600

Notes:

- a) One US\$ = 155.44 Pak rupees.
- b) Average price of cotton seed for December, 2019 in Rahim Yar Khan market was Rs. 1883 per 40 Kg.
- c) 120 Kg of seed cotton = 80 kg of cotton seed + 40 Kg of lint.

Sources:

1. PBS for export prices.
2. KCA, Karachi for marketing expenses.
3. Pakistan Cotton Ginners Association, Karachi for ginning charges.
4. Directorate of Agriculture (E&M), Punjab, Lahore.
5. API's Seed Cotton Policy Analysis Report for 2017-18 Crop.

Table-13: IMPORT PARITY PRICE OF SEED COTTON ON THE BASIS OF ACTUAL AVERAGE CIF (KARACHI) PRICE OF IMPORTED COTTON

Sr. No.	Item	December, 2019
01.	Actual average cif (Karachi) Price, per 40 kgs	Rs.10,131 (Rupees) or 73.91 (US Cent per Lb)
02.	Handling charges at port and transport cost from port to textile mill at Karachi @ 5% of cif price	367
03.	Ex-gin price of cotton lint (item 1+ item 2)	10,498
04.	Value of 80 Kgs of cotton seed (a)	3766
05.	Ginning charges for 120 Kgs of seed cotton including ginning	600
06.	Value of 120 Kgs of seed cotton (item 3 + item 4 – item 5) losses	13,664
07.	Seed cotton price (item 6/3)	4,555

Note:

- a) Average price of cotton seed for December, 2019 in Rahim Yar Khan market was Rs. 1883 per 40 Kg.
- b) 120 kg of seed cotton = 80 kg of cotton seed + 40 kg of lint.

Sources:

1. PBS, for cif (Karachi price).
2. KCA, for incidental charges.
3. Pakistan Cotton Ginners Association, Karachi for ginning charges.
4. Directorate of Agriculture (E&M), Punjab, Lahore.
5. API's Seed Cotton Policy Analysis Report for 2017-18 Crop.

REGIONAL COTTON SITUATION

1. CHINA

Cotton area in China has declined by 2.0% to 3.300 million hectares in 2019-20 as compared to 3.367 million hectares in 2018-19. Reduction in yield also is expected due to high temperature and little rain. The production forecast in 2019-20 is 4% lower than the previous year. Similarly, consumption is expected to decline by 2.4% to 8.05 million tons in 2019-20. Imports by China are estimated at 1.810 million tons, showing a decrease of 13.8% over previous season. Stock levels in China continued to decline by 5.5% to 8.4 million tons in 2019-20.

Table-14: CHINA SUPPLY AND DEMAND POSITION

Heads	(Million Metric Tons)				
	2015-16	2016-17	2017-18 Est.	2018-19 Est.	2019-20 Proj.
Beginning Stock	14.12	12.65	10.35	9.03	8.88
Production	5.20	4.90	5.89	6.04	5.80
Consumption	7.60	8.28	8.50	8.25	8.05
Import	0.96	1.10	1.32	2.10	1.81
Ending Stock	12.65	10.35	9.03	8.88	8.39

Source: Cotton this month February 03, 2020.

2. INDIA

Cotton area in India is estimated to increase at 12.7 million hectares in 2019-20. Production in India is projected to grow by 12% to 6.0 million tons in 2019-20 owing to favorable weather conditions. Similarly, mill consumption is expected to rise by 2.5% to 5.535 million tons as compared to 5.400 million tons in 2018-19. Exports from India estimated to rise by 12.5 percent to 0.900 million tons in current year as compared to 0.800 million tons in previous year.

3. INTERNATIONAL COTTON SITUATION 2019-20

World cotton area is expected to grow by 2.0% to 33.624 million hectares in 2019-20 as compared to 32.963 million hectares in 2018-19. Global cotton production is expected to increase by 0.9% to 25.923 million tons, while consumption is projected to rise by 0.4% to 26.2 million tons. Global trade i.e imports and exports are estimated to decline at 9.4 million tons in 2019-20 as compared to 9.2 million tons in 2018-19. World ending stock levels are currently estimated to decrease by 1.5% by the end of 2019-20 under current estimates for production and consumption. With current projections of increase in global cotton production and weak consumption, cotton prices are expected to remain low in the new year.

Table-15: WORLD COTTON BALANCE SHEET

(Million Metric Tons)

Heads	2015-16	2016-17	2017-18 Estimated.	2018-19 Estimated.	2019-20 Projected	% Change in 2019-20 over 2018-19
Beginning stock	22.95	20.31	18.48	18.70	18.27	-2.30
Production	21.48	23.07	26.68	25.69	25.92	0.90
Consumption	24.14	24.79	26.34	26.08	26.20	0.46
Exports	7.54	8.19	9.10	9.23	9.41	1.95
Imports	7.59	8.09	8.98	9.19	9.41	2.39
Ending Stock	20.31	18.48	18.70	18.27	18.00	-1.48

Source: Cotton this month February 03, 2020.

Table -16: COTTON PRODUCTION AND CONSUMPTION IN MAJOR COTTON GROWING COUNTRIES DURING LAST 5 YEARS

(Million Tons)

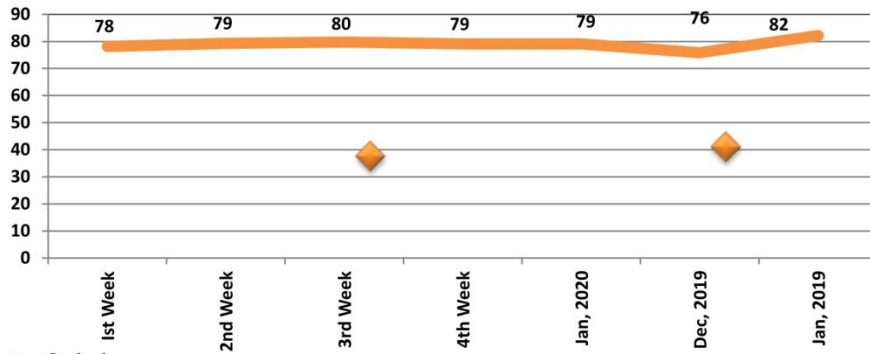
Countries	2015-16	2016-17	2017-18 Estimated.	2018-19 Estimated.	2019-20 Projected
Production					
India	5.75	5.87	6.35	5.35	6.00
China	5.20	4.90	5.89	6.04	5.80
USA	2.81	3.74	4.56	4.00	4.38
Brazil	1.29	1.53	2.01	2.73	2.76
Pakistan	1.54	1.66	1.80	1.67	1.35
Uzbekistan	0.83	0.79	0.80	0.64	0.64
Others	4.06	4.59	5.28	5.26	5.00
World Total	21.48	23.07	26.68	25.69	25.92
Consumption					
China	7.60	8.28	8.50	8.25	8.05
India	5.30	5.15	5.42	5.40	5.54
Pakistan	2.15	2.15	2.35*	2.36*	2.36*
Europe & Turkey	1.68	1.61	1.64	1.71	1.78
Vietnam	1.01	1.17	1.51	1.51	1.53
Bangladesh	1.32	1.41	1.66	1.58	1.60
USA	0.75	0.71	0.77	0.71	0.73
Brazil	0.66	0.69	0.68	0.73	0.73
Others	3.67	3.64	3.82	3.84	3.87
World Total	24.14	24.79	26.34	26.08	26.20

Source: Cotton this month February 03, 2020

*Provisional.

Figure-V: COTLOOK 'A' INDEX DURING JANUARY, 2020

(US Cents per Pound)



Source: Cotton Outlook

The graph above shows that 'A' index prices during January, 2020 posted nominal gains at 79.00 cents per pound as compared to 76.0 cents per pound in December, 2019. However, the prices in January, 2019 were recorded higher at 82.00 cents per pound. Month-wise details are given as below:

Table-17: MONTHLY AVERAGE PRICES OF "A" INDEX DURING 2019-20, 2018-19 & 2017-18

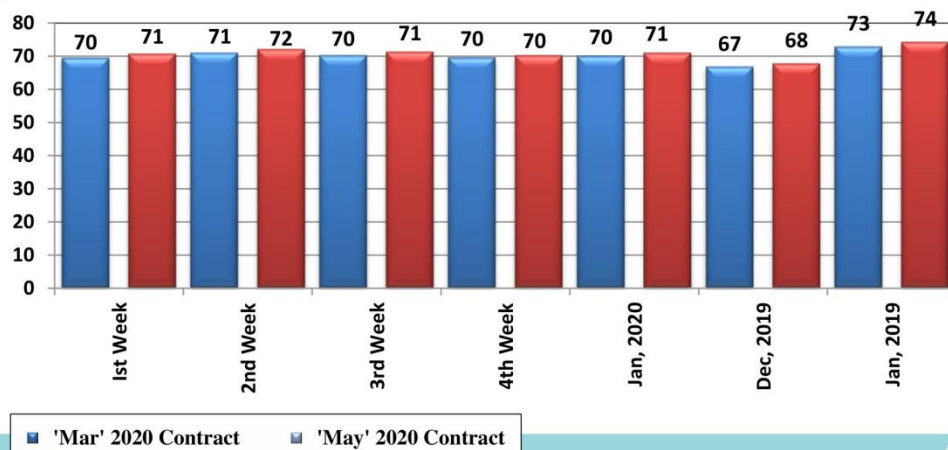
(US Cents Per Pound)

Month/Season	2018-19	2017-18
August,2018	94.73	79.27
September,2018	90.54	80.85
October,2018	86.72	78.52
November,2018	86.58	80.16
December,2018	85.75	85.18
January,2019	82.19	90.95
February,2019	81.18	88.25
March,2019	83.64	92.15
April,2019	87.28	92.09
May,2019	80.49	93.97
June,2019	77.58	97.69
July,2019	75.66	96.04
Average 2018-19	84.36	87.93
August,2019	70.89	94.73
September,2019	71.26	90.54
October,2019	73.62	86.72
November,2019	74.89	86.58
December,2019	75.83	85.75
January,2020	79.08	82.19
Average 2019-20	74.26	87.75

Source: Cotton Outlook.

Figure-VI: NEW YORK COTTON FUTURES VALUES DURING JANUARY, 2020

(US Cents Per Pound)



Source: Cotton Outlook

The graph above indicates that the nearby March, 2020 contract during January, 2020 posted gains to 70.00 cents per pound as compared to 67.00 cents in previous month. However, the prices of same contract in the corresponding month of last year recorded higher at 73.00 cents per pound.

