

COTTON REVIEW

DOMESTIC AND WORLD COTTON REVIEW



DOMESTIC COTTON CROP SCENARIO

Cotton crop has been terminated in Sindh. As per PCGA report Sindh has produced 4.2 million bales and Punjab 6.9 million bales as on 1st January, 2018 (155kg). Seed cotton arrivals are in progress in Punjab and it is being expected that arrivals may touch 7 to 7.5 million bales. Better seed cotton and lint prices are prevailing in the market and stake holders are taking better profit. It is expected that cotton crop will gain more area in the next crop season.

Table-1: TARGETS FOR AREA AND PRODUCTION OF COTTON CROP 2017-18

Sr. No.	Province	Area (million hectares)	Production (million bales)
1.	Punjab	2.42	10.00
2.	Sindh	0.65	4.00
3.	Khyber Pakhtunkhwa	0.001	0.002
4.	Baluchistan	0.038	0.038
	Total of Pakistan	3.11	14.04

Source: Federal Committee on Cotton (FCC) meeting held on 25.3.2017.

Table-2: SOWING POSITION OF COTTON CROP AS ON 10.7.2017

(Million Hectares)

Province	Target 2017-18	Area Sown		% Change Over	
		2017-18	2016-17	Target	Last Year
Punjab	2.42	2.145	1.780	88.6%	+20.5
Sindh	0.65	0.608	0.636	94.0%	-4.4
Pakistan	3.11	2.753	2.416	88.52%	+13.95

Source: Provincial Crop Reporting Departments.

COTTON REVIEW

Table-3: FIRST & SECOND ESTIMATE OF COTTON CROP 2017-18

(Bales = 170 Kg)

Province	Expected Production (million bales)	
	First Cotton Crop Assessment (10-8-2017)	2 nd Cotton Crop Assessment (02-11-2017)
Punjab	8.80	8.80
Sindh	3.70	3.70
Khyber Pakhtunkhwa & Balochistan	0.10	0.10
Pakistan	12.60	12.60

Source: Cotton Crop Assessment Committee Meeting held on 10-8-2017 & 02-11-2017

Table-4: SEED COTTON ARRIVALS AS ON 01st JANUARY, 2018

(Qty. in Bales)

Heads	2017-18			2016-17		
	Punjab	Sindh	Total	Punjab	Sindh	Total
Arrivals	6,895,457	4,213,262	11,108,719	6,617,646	3,749,057	10,366,703
Sales to Exporters	25,450	189,260	214,710	55,500	143,744	199,244
Sales to Textile Mills	5,912,250	3,645,940	9,558,190	5,532,928	3,285,857	8,818,785
Sales to T.C.P	-	-	-	-	-	-
Unsold Stock	771,694	228,224	999,918	912,051	272,167	1,184,218
Un-ginned Stock	186,063	149,838	335,901	117,167	47,289	164,456

Source: Pakistan Cotton Ginners Association.

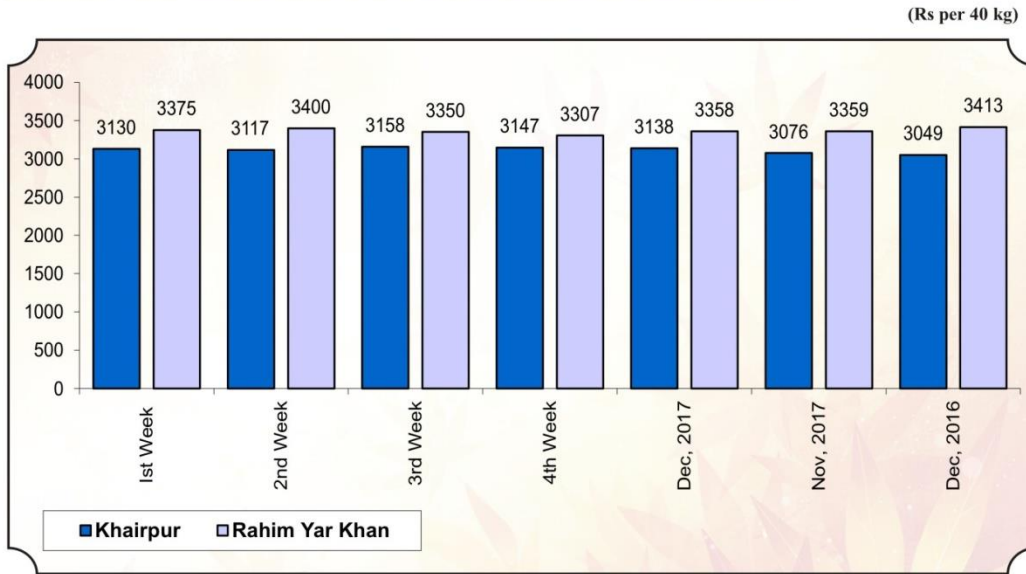
Table-5: SEED COTTON PRICES (Monthly Averages) 2016-17 & 2017-18

(Rs. per 40 Kg)

Months	Hyd	M.P. Khas	Khair Pur	Sukr	R.Y. Khan	Bahawal Pur	Vehari	Mian Channu	Sahiwal	Multan	Burewala
June 2017	3154	-	-	-	3358	-	-	-	-	-	-
July 2017	3275	3182	-	-	-	-	-	-	-	-	3400
August 2017	2919	2909	-	-	3077	-	3031	2920	-	-	3034
September 2017	2,754	2,785	-	-	2958	-	2903	2828	-	-	2859
October 2017	2,762	2,849	2,978	3,029	3,103	3,024	3,097	3,021	2,918	2,889	3,069
November 2017	2,710	2,800	3,076	3,186	3,359	3,234	3,222	3,161	2,942	3,017	3,251
December 2017	-	-	3,138	3,267	3,358	3,188	3,208	3,079	2,858	3,067	3,168
Average 2017-18	2,929	2,905	3,064	3,161	3,202	3,149	3,092	3,002	2,906	2,991	3,130
July 2016	3154	-	-	-	3358	-	-	-	-	-	-
August 2016	3364	3333	-	-	3361	-	-	3262	3270	-	3270
September 2016	2985	2984	-	-	3049	-	-	2902	2961	-	2960
October 2016	2954	2901	3075	3116	3176	3093	-	3054	3069	3090	3135
November 2016	2400	2300	3060	3110	3230	3200	-	3125	3105	3100	3240
December 2016	-	-	3049	3209	3413	3372	-	3313	-	3296	3331
January 2017	-	-	-	-	3526	3476	-	3194	-	3231	3470
February 2017	-	-	-	-	3744	-	-	-	-	-	3553
March 2017	-	-	-	-	3752	-	-	-	-	-	-
Average 2016-17	2926	2880	3061	3145	3406	3285	-	3142	3101	3179	3280

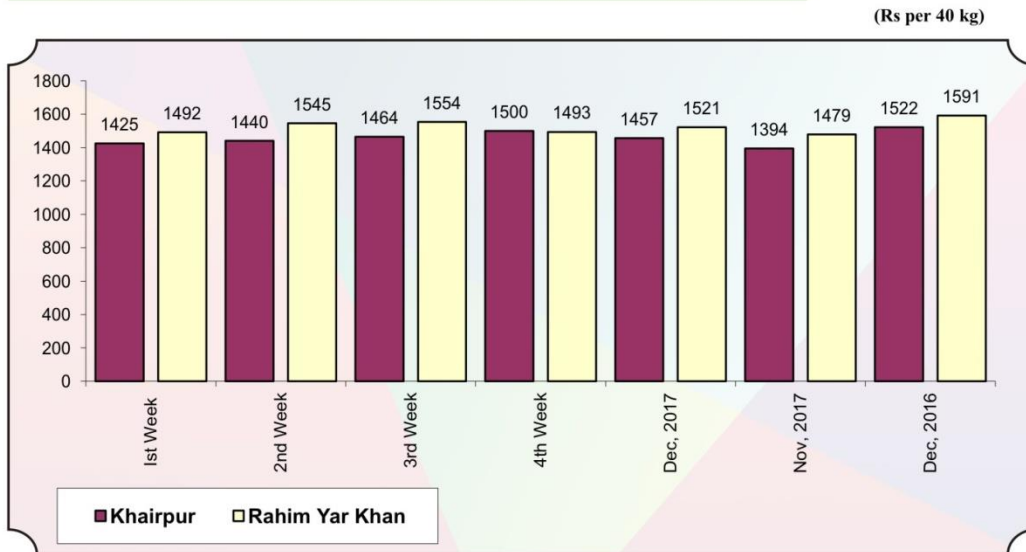
Source: Market Report

Figure -I: SEED COTTON PRICES DURING DECEMBER, 2017



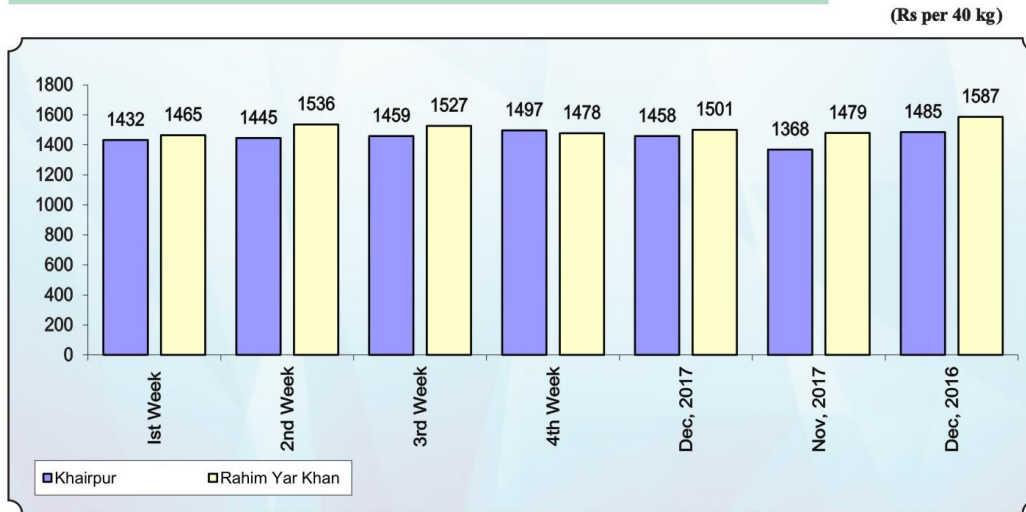
Source: Market Report.

Figure-II: COTTON SEED PRICES DURING DECEMBER, 2017



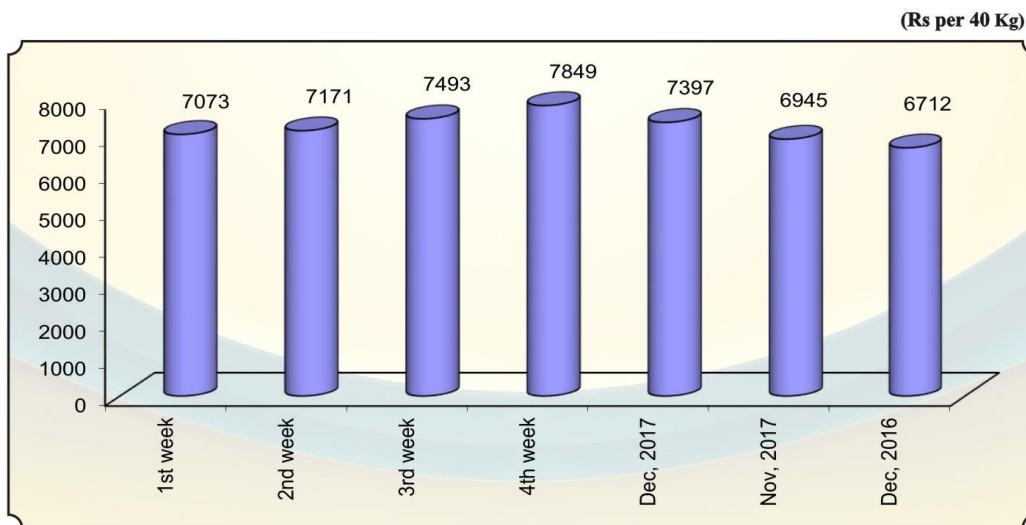
Source: Market Report

Figure-III COTTON SEED CAKE PRICES DURING DECEMBER, 2017



Source: Market Report.

Figure-IV: KCA SPOT RATE (EX-GIN) AT KARACHI DURING DECEMBER, 2017



Source: The Karachi Cotton Association

The graph above shows that the prices of raw cotton during the month of December, 2017 increased to Rs. 7,397 per 40 kg as compared to Rs. 6,945 in November, 2017. However, the prices in December, 2016 were recorded lower at Rs. 6,712 per 40 kg. Month-wise details are given in table below:

Table-6: MONTHLY AVERAGE PRICES OF RAW COTTON DURING 2016-17 & 2015-16

(Rs. per 40 kg)

Month	2016-17 Ex-Gin Rate	2015-16 Ex-Gin Rate
August,2016	7080	4880
September,2016	6450	4991
October,2016	6410	5582
November,2016	6469	5698
December,2016	6712	5607
January,2017	6872	5758
February,2017	7149	5726
March,2017	7245	5616
April,2017	7216	5785
May,2017	7227	5986
June,2017	7196	5993
July,2017	6653	6558
Average	6890	5682
August2017	6650	7080
September,2017	6468	6450
October,2017	6570	6410
November,2017	6945	6469
December,2017	7397	6712

Source: Karachi Cotton Association.

Table 7: COTTON BALANCE SHEET DURING 2015-16, 2016-17 AND 2017-18

(Bale= 170 kg)

Sr. No.	Position	2015-16		2016-17		2017-18*	
		'000' Bales	'000' M/Tons	'000' Bales	'000' M/Tons	'000' Bales	'000' M/Tons
1.	Carryover	550	93	0	0	169	29
2.	Production	9917	1686	10670	1814	12600	2142
3.	Imports	2453	417	2706	460	1500	255
	Total	12920	2196	13376	2274	14269	2426
4.	Mill Consumptio	12633	2147	13060	2220	13800	2346
5.	Exports	287	49	147	25	300	51
6.	End Season Stocks	0	0	169	29	169	29
	Total	12920	2196	13376	2274	14269	2426

Source: i) Textile Commissioners Organization (Mill Consumption estimated on the basis of previous data).

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

iii) Provincial Agriculture Department. (Production)

Note: Production figure is given in "2nd" Cotton Crop Assessment Committee Meeting," for the year 2017-18.

*Provisional

COTTON YARN PRICES

The Cotton Yarn prices of 21's count witnessed rising tendency, where as 30's count in December, 2017 remained stable at previous month's level. However, the same counts in the corresponding month of the last year were recorded lower at Rs. 1200 and Rs.1381 per bundle respectively. Details are given as below:

Table-8: DOMESTIC COTTON YARN PRICES DURING DECEMBER, 2017

(Rs. per bundle of 4.54 kg)

Count/ Week	W E E K				December 2017	November 2017	December 2016
	1	11	111	1V			
10/1	933	967	983		961	933	883
16/1	1222	1271	1276		1256	1211	1143
21/1	1255	1305	1305		1288	1250	1200
22/1	1265	1350	1350		1322	1265	1196
26/1	1344	1386	1386		1372	1344	1309
28/1	1350	1400	1400		1383	1350	1350
30/1	1413	1466	1466		1448	1413	1381
32/1	1380	1460	1460		1433	1380	1380
40/1	1650	1700	1700		1683	1650	1650
52/1	1700	1750	1750		1733	1700	1700
60/1	1750	1850	1850		1817	1750	1750
70/1	1850	1900	1900		1883	1850	1850
20/2	1348	1412	1412		1391	1348	1282

Source: Pakistan Yarn Merchants Association, Karachi.

Table-9: EXPORTS OF TEXTILE GROUP COMMODITIES DURING NOVEMBER, 2017

(Value = Rs. In Millions)

Commodities	Unit	November 2017		October 2017		November 2016		% Change Over November 2017		July-November 2017		July-November 2016		% Change	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	4,648	804	7,901	1,363	2,635	471	-41.2	-41.0	30,317	5,287	19,546	3,506	55.11	50.80
Cotton Yarn	M.T	43,322	11,734	47,073	12,754	45,183	13,512	-7.9	-8.0	213,971	58,300	192,301	57,538	11.27	1.32
Bed Wear	M.T	31,383	20,240	30,248	19,809	29,308	18,008	3.8	2.2	152,220	99,820	151,204	92,965	0.67	7.37
Towels	M.T	15,835	7,284	15,337	7,147	18,106	7,259	3.3	1.9	73,670	33,433	76,962	33,251	-4.28	0.55
Cotton Cloth	Th.SQ	145,365	18,204	155,881	19,641	155,712	17,483	-6.8	-7.3	760,897	93,535	868,044	93,992	-12.34	-0.49
Synthetic Fiber	Th.SQ	10,880	2,448	11,572	2,731	14,558	1,791	-5.9	-10.4	69,319	13,073	62,650	8,359	10.64	56.39
Knitwear	Th.DoZ	9,741	23,788	9,890	23,735	8,081	20,026	-1.5	0.2	47,549	115,757	42,137	102,599	12.84	12.82
Readymade Garments	Th.DoZ	3,153	22,702	2,864	20,623	2,897	19,740	10.1	10.1	15,008	107,353	13,466	92,969	11.45	15.47

Source: Pakistan Bureau of Statistics, Karachi.

The table above shows that the exports of raw cotton witnessed declining tendency but other related produce witnessed mixed trend during the month of November, 2017. The raw cotton exports decreased to 4,648 metric tons valuing Rs.804 million as compared to 7,901 metric tons worth Rs.1,363 million in October, 2017. However, the exports in November, 2016 recorded at 2,635 metric tons amounting to Rs.471 million showing decrease of 41.2% in quantity and 41.0% in value over October,2017.

Table-10: IMPORTS OF TEXTILE GROUP COMMODITIES DURING NOVEMBER, 2017

(Value = Rs. In Millions)

Commodities	Unit	November 2017		October 2017		November 2016		% Change Over October 2017		July-November 2017		July-November 2016		% Change	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	16,099	2,291	10,012	1,850	10,379	1,835	60.80	23.84	46,228	7,831	71,194	12,413	-35.07	-36.91
Synthetic Fiber	M.T	16,830	3,716	18,395	3,894	12,821	2,894	-8.51	-4.57	100,883	22,043	90,410	19,151	11.58	15.10
Synthetic & Artificial Silk Yarn	M.T	23,885	5,152	27,875	5,799	30,826	6,137	-14.31	-11.16	127,808	27,896	124,791	26,532	2.42	5.14
Worn Clothing	M.T	36,762	1,433	36,935	1,385	34,436	1,334	22.18	20.75	177,971	6,883	167,023	6,726	6.55	2.33
Other Textile Items	-	-	12,544	-	10,822	-	11,356	-	15.91	-	54,471	-	52,403	-	3.95

Source: Pakistan Bureau of Statistics, Karachi

The table above indicates that the imports of raw cotton during November, 2017 posted gains to 16,099 metric tons amounting to Rs.2,291 million as compared to 10,012 metric tons valuing Rs.1,850 million in October,2017. Whereas the imports in November, 2016 recorded at 10,379 metric tons amounting to Rs. 1,835 million, showing an increase of 60.80 percent in quantity and 23.84 percent in value over October, 2017.

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 farmer gives priorities and takes decision on the economics of cotton and competing crops on the basis of inputs-outputs prices paid and received. The estimation of the indicators, like gross cost, gross income, gross margin, net income, input-output ratio, etc may provide the useful sights to the growers at farm level. Details are presented in following table.

Table-11: ECONOMICS OF SEED COTTON AND COMPETING CROPS AT PRICES REALIZED BY THE GROWERS 2015-16 CROP

S. No.	Previous/ Crops/ Crop Combination	Output Input ratio	Gross Revenue Per		
			Rupee of Purchased inputs cost	Day of Crop Duration	Acre inch of irrigation water used
		Ratio	Rupees	Rupees	
	1	2	3	4	5
PUNJAB					
1.	Seed Cotton	1.03	3.06	239	2602
2.	Basmati Paddy	0.87	1.95	227	704
3.	IRRI Paddy	0.80	1.84	184	533
4.	Cotton + Wheat	1.04	2.98	235	2904
5.	Cotton + Sunflower	1.01	2.75	232	2219
6.	Sugarcane	1.25	3.96	237	1943
SINDH					
1.	Seed Cotton	1.16	3.71	250	3332
2.	IRRI Paddy	1.18	3.29	249	800
3.	Cotton + Wheat	1.12	3.41	238	3338
4.	Cotton + Sunflower	1.08	3.41	239	2509
5.	Sugarcane	1.28	3.89	232	1597

Source: API's Cotton Policy Analysis for 2015-16 Crop.

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

Sr. No.	Item	November, 2017
01.	Actual average export price per 40 Kgs	6919 (Rupees) or 74.33 (US Cents per Lb)
02.	Marketing expenses (export & purchase incidentals, insurance & financial expenses) per 40 kgs	425
03.	Ex-gin price of lint per 40 kgs (item 1-item 2)	6494
04.	Value of 80 Kgs of cotton seed (b)	2958
05.	Ginning charges for 120 Kgs of seed cotton	600
06.	Value of 120 Kgs of seed cotton (c) (item 3+4-item 5)	8852
07.	Seed cotton price per 40 Kgs (item 6/3)	2951

Notes:

- a) One US\$ = 105.55 Pak rupees.
- b) Average price of cotton seed for November, 2017 in Rahim Yar Khan market was Rs. 1479 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 Cotton Policy Analysis for 2015-16 Crop.

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

Sr. No.	Item	November, 2017
01.	Actual average cif (Karachi) Price, per 40 kgs	Rs.5692 (Rupees) or 61.15 (US Cent per Lb)
02.	Handling charges at port and transport cost from port to textile mill at Karachi @ 5% of cif price	425
03.	Ex-gin price of cotton lint (item 1+ item 2)	6117
04.	Value of 80 Kgs of cotton seed (a)	2958
05.	Ginning charges for 120 Kgs of seed cotton including ginning losses	600
06.	Value of 120 Kgs of seed cotton (item 3 + item 4 – item 5)	8475
07.	Seed cotton price (item 6/3)	2825

Note:

- a) Average price of cotton seed for November, 2017 in Rahim Yar Khan market was Rs. 1479 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 Cotton Policy Analysis for 2015-16 Crop.

REGIONAL COTTON SITUATION **1. CHINA**

Cotton area in China is projected to rise by 7% to 3.1 million hectares in 2017-18 as compared to 2.9 million hectares in 2016-17 owing to higher prices during last year. Cotton production in China is also expected to increase by 7.1% to 5.2 million tons in 2017-18 as compared to 4.9 million tons in 2016-17. Whereas mill use is expected to remain stable to 8.1 million tons in 2017-18. Imports by China are remaining steady by 1.3 million tons in 2017-18. China's ending stocks are projected to decline by 16% to 10.6 million tons in 2016-17.

Table-14: CHINA SUPPLY AND DEMAND POSITION (Million Metric Tons)

Heads	2012-13	2013-14	2014-15 Proj.	2015-16 Proj.	2016-17 Proj.	2017-18 Proj.
Beginning Stock	6.69	10.81	13.28	14.12	12.65	10.63
Production	7.60	7.00	6.60	5.20	4.90	5.25
Consumption	7.90	7.60	7.55	7.60	8.00	8.12
Import	4.43	3.07	1.80	0.96	1.10	1.34
Ending Stock	10.81	13.28	14.12	12.65	10.63	9.09

Source: Cotton this month January 01, 2018.

2. INDIA

Cotton area in India is estimated to increase by 9.5% to 11.5 million hectares in 2017-18 as compared to 10.5 million hectares in 2016-17, owing to firm prices in 2016-17. Cotton production in India is expected to grow by 8.7% to 6.2 million tons in 2017-18 as against 5.7 million tons in 2016-17. Mill consumption in India is also likely to grow by 4% to 5.3 million tons in 2017-18. However, exports from India are expected to increase by 8.0% to 1.07 million tons in 2017-18.

INTERNATIONAL COTTON SITUATION 2017-18 

The world cotton area in 2017-18 is projected to increase by 11% to 32.5 million hectares as compared to 29.3 million hectares in 2016-17. World cotton production is forecast to grow by 11.7% to 25.7 million tons in 2017-18 as against 23.0 million tons in 2016-17 due to expansion in area. World cotton consumption may recover by 3% to 25.2 million tons in 2017-18 as compared to 24.5 million tons in 2016-17. The world imports and exports are projected to increase by 3.0 percent to 8.3 million tons in 2017-18. The world ending stocks in 2016-17 are expected to decline by 7.4 percent to 18.7 million tons.

Table-15: WORLD COTTON BALANCE SHEET

(Million Metric Tons)

Heads	2012-13 Estimated	2013-14 Estimated	2014-15 Projected	2015-16 Projected	2016-17 Projected	% Change in 2016-17 over 2015-16
Beginning stock	15.71	19.43	21.32	22.97	20.26	-11.80
Production	27.08	26.23	26.29	21.48	23.00	0.07
Consumption	23.45	24.10	24.59	24.18	24.52	0.01
Exports	10.05	9.03	7.79	7.55	8.07	0.07
Imports	10.21	8.86	7.80	7.57	8.11	0.07
Ending Stock	19.43	21.32	22.97	20.26	18.77	-0.07

Source: Cotton this month January 01, 2018.

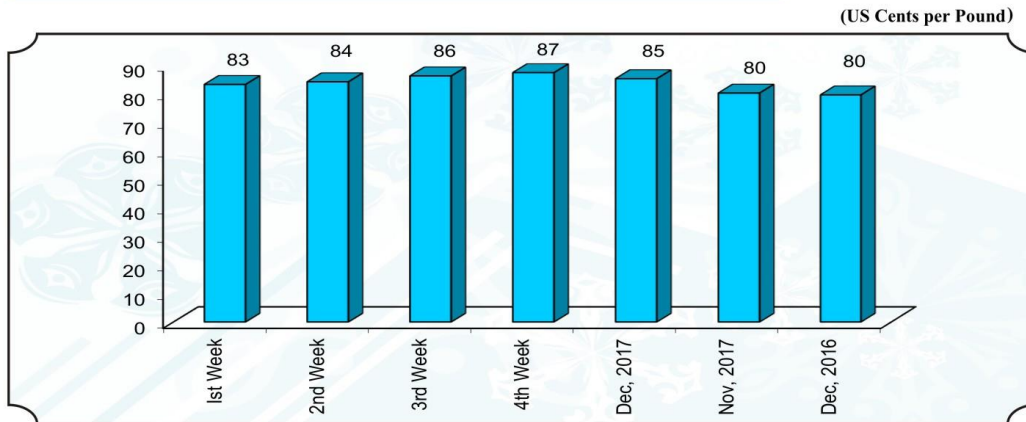
Table-16: COTTON PRODUCTION AND CONSUMPTION IN MAJOR COTTON GROWING COUNTRIES DURING LAST 5 YEARS

(Million Tons)

Countries	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Proj.	2017-18 Proj.
Production					
India	6.77	6.56	5.75	5.73	6.23
China	7.00	6.60	5.20	4.90	5.25
USA	2.81	3.55	2.81	3.74	4.65
Pakistan	2.07	2.30	1.54	1.66	2.06
Brazil	1.73	1.56	1.29	1.53	1.57
Uzbekistan	0.91	0.88	0.83	0.79	0.80
Others	4.92	4.80	4.07	4.65	5.18
World Total	26.23	26.27	21.48	23.00	25.74
Consumption					
China	7.60	7.55	7.60	8.00	8.12
India	5.09	5.38	5.30	5.15	5.30
Pakistan	2.47	2.47	2.15	2.15	2.23
Europe & Turkey	1.61	1.69	1.69	1.61	1.63
Vietnam	0.67	0.87	1.01	1.17	1.31
Bangladesh	1.13	1.20	1.32	1.41	1.44
USA	0.77	0.78	0.75	0.75	0.73
Brazil	0.86	0.80	0.70	0.73	0.76
Others	3.90	3.86	3.68	3.60	3.70
World Total	24.10	24.59	24.18	24.52	25.22

Source: Cotton this month January 01, 2018.

Figure-V: COTLOOK 'A' INDEX DURING DECEMBER, 2017



Source: Cotton Outlook.

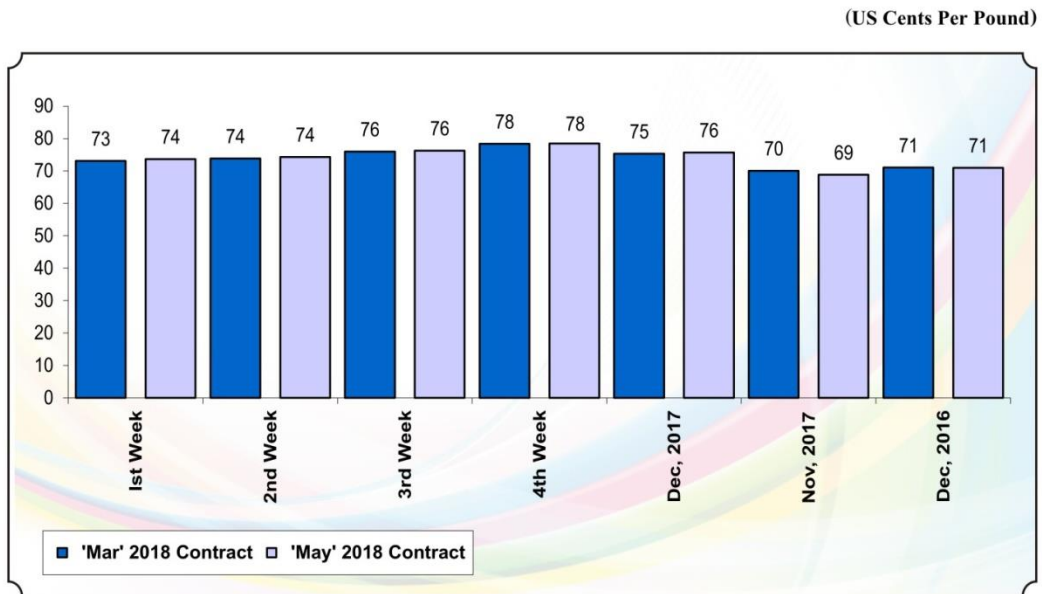
The graph above shows that 'A' index prices during December, 2017, posted gains to 85.18 cents per pound as compared to 80.16 cents per pound recorded in November, 2017. However, the prices in December, 2016 were registered at 79.51 cents per pound. The available Cotlook 'A' index in 2016-17 as compared to 2015-16 is given in the table below:-

Table-16: MONTHLY AVERAGE PRICES OF "A" INDEX DURING 2016-17 & 2015-16

(US Cents Per Pound)		
Month/Season	2016-17	2015-16
August, 2016	80.39	71.79
September, 2016	77.80	68.95
October, 2016	78.46	68.93
November, 2016	78.71	69.21
December, 2016	79.51	70.52
January, 2017	82.22	68.81
February, 2017	85.16	66.55
March, 2017	86.77	65.38
April, 2017	86.96	69.17
May, 2017	88.76	70.27
June, 2017	84.92	74.01
July, 2017	84.21	80.72
Average	82.82	70.36
August, 2017	79.27	80.39
September, 2017	80.85	77.80
October, 2017	78.52	78.46
November, 2017	80.16	78.71
December, 2017	85.18	79.51

Source: Cotton Outlook.

Figure-VI: NEW YORK COTTON FUTURES VALUES DURING DECEMBER, 2017



Source: Cotton Outlook

The graph above indicates that the nearby March and May,2018 contract during December, 2017 declined to 75.30 cents per pound as compared to 70.06 cents in previous month. However, the price of same contract in the corresponding month of last year recorded higher at 71.02 cents per pound.

