

COTTON REVIEW



DOMESTIC COTTON CROP SCENARIO

The sowing of cotton crop both in Punjab and Sindh is in progress. Area sown in Punjab as reported by Agriculture (Extension & AR) Punjab, Lahore till 1st week of May, 2020 was not satisfactory and recorded at 1.244 million acres which comprises only 25% of the tentative target and about 21% less than the previous year. Whereas the area sown in Sindh witnessed increase of 28% over last year, achieving 43% against target. The main districts of Sindh which showed great performance against their target are Hyderabad 95%, Tando Muhammad Khan 95%, Tando Allah Yar 91%, Mirpur Khas 90%, Umer Kot 81% and Sanghar 81%. This year, cotton sowing in Sindh is being reported on more area as compared to corresponding period of last year. Due to low germination of seed, growers are applying increased seed rate per acre.

Table-1: 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 Pakhtunkhwa	0.010	0.02
4.	Baluchistan	0.100	0.20
Total of Pakistan		2.895	12.72

Source: Provincial Agriculture Departments.

Table -2: PROVINCE –WISE SOWING POSITION OF COTTON CROP DURING 2019-20 SEASON

Province	Target 2019-20	Area Sown		% Change Over	
		2019-20	2018-19	Target	Last Year
Punjab	2.145	1.889	1.888	88.7%	+0.05
Sindh	0.640	0.599	0.448	93.6%	+33.7
Khyber Pakhtunkhwa	0.010	0.000213	0.00016	2.1%	-33.12
Balochistan	0.100	0.038	0.037	38.0%	+2.7
Total	2.895	2.526	2.373	87.25%	+6.45

Source: Provincial Agriculture Departments

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Table-3: SEED COTTON ARRIVALS AS ON 15th MARCH, 2020

(Bales)

Heads	2019-20 (Season)			2018-19 (Season)		
	Punjab	Sindh	Total	Punjab	Sindh	Total
Arrivals	5,097,282	3,473,979	8,571,261	6,613,251	4,149,393	10,762,644
Sales to Exporters	0	58,666	58,666	3,300	99,030	102,330
Sales to Textile Mills	4,731,426	3,277,711	8,009,137	5,822,076	3,819,139	9,641,215
Sales to T.C.P	-	-	-	-	-	-
Unsold Stock	360,500	135,737	496,237	780,175	230,807	1,010,982
Un-ginned Stock	5,356	1,865	7,221	7,700	417	8,117

Source: Pakistan Cotton Ginners Association.

Table-4: SEED COTTON PRICES (MONTHLY AVERAGES) 2017-18 , 2018-19& 2019-20

(Rs. per 40 Kg)

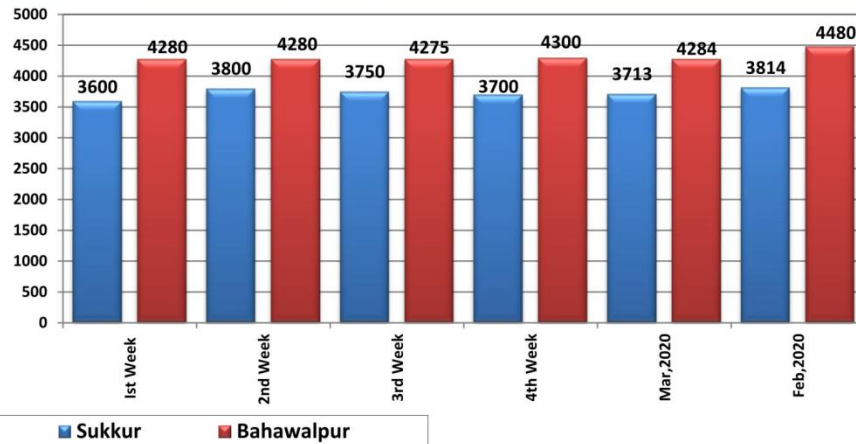
Months	Hyd	M.P. Khas	Ghotki	Khair Pur	Sukr	R.Y. Khan	Bahawal Pur	Vehari	Mian Channu	Sahiwal	Lodhran	D.G. Khan	Multan	Burewala
July,2019	-	3912	-	-	-	-	-	4204	3985	4049	-	-	-	4134
August, 2019	3436	3431	-	-	-	3919	3797	3875	3787	3825	-	-	3816	3857
September,2019	3657	3645	3811	3996	3957	4047	3762	3898	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
February,2020	-	-	-	-	3814	4129	4480	4253	3442	-	-	-	-	4163
March,2020	-	-	-	-	3713	4000	4284	-	-	-	-	-	-	4017
Average 2019-20	3613	3323	4135	3900	3928	4202	4164	4062	3787	3740	3875	4254	4046	4025
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

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Figure-I: SEED COTTON PRICES DURING MARCH, 2020

(Rs per 40 kg)

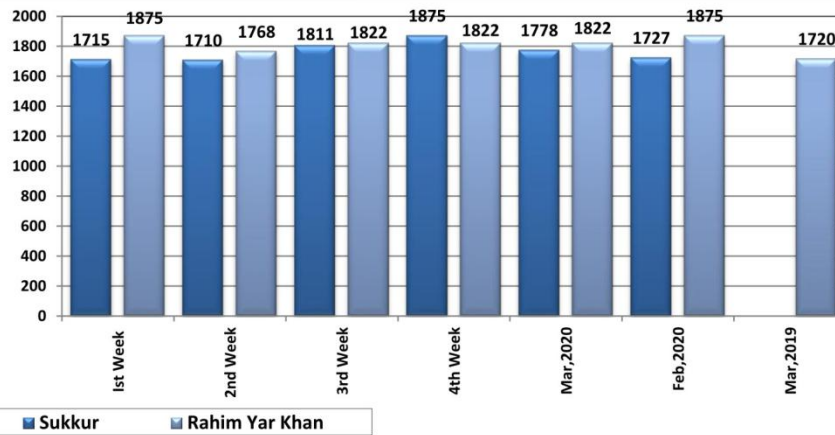


Source: Market Report.

Note: The prices in April 2020 were not collected due to ending of crop.

Figure-II: COTTON SEED PRICES DURING MARCH, 2020

(Rs per 40 kg)

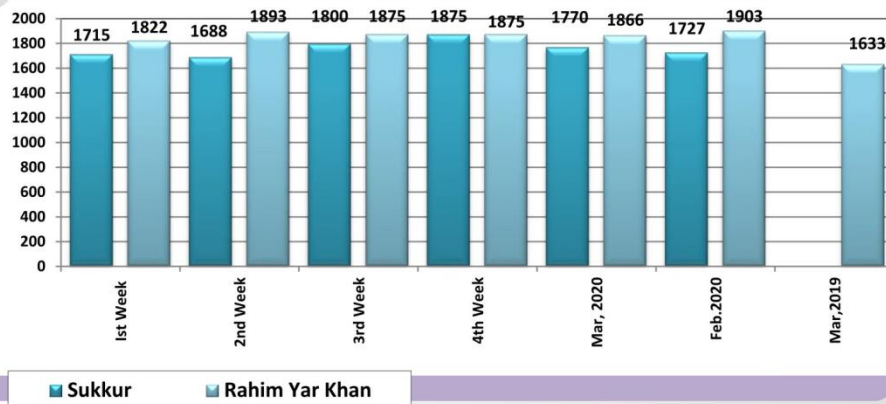


Source: Market Report

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Figure-III: COTTON SEED CAKE PRICES DURING MARCH, 2020

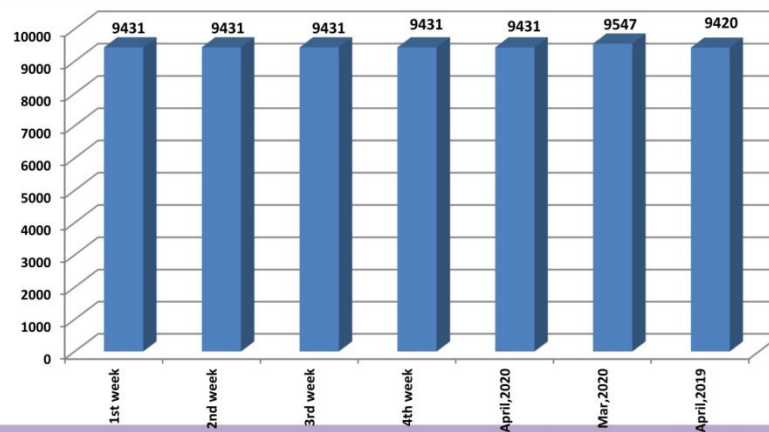
(Rs per 40 kg)



Source: Market Report

Figure-IV: KCA SPOT RATE (EX-GIN) AT KARACHI DURING APRIL, 2020

(Rs per 40 kg)



Source: The Karachi Cotton Association.

The graph above indicates that the prices of raw cotton during the month of April, 2020 depicted decreasing trend and were recorded at Rs.9,431 per 40 kg as compared to Rs. 9,547 in March, 2020. Whereas, the prices in April, 2019 were registered lower at Rs. 9,420 per 40 kg. Month-wise details are given in table below:

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Table-6: MONTHLY AVERAGE PRICES OF RAW COTTON DURING 2019-20, 2018-19 & 2017-18 (Rs. Per 40 kg)

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
February,2020	9705	9221
March,2020	9547	9241
April,2020	9431	9420
Average 2019-20	9391	9214

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.

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The Cotton Yarn prices of 21's and 30's count in March,2020 remained stable 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.1,537 and Rs.1,788 per bundle respectively. Details are given as below:

Table-8: DOMESTIC COTTON YARN PRICES DURING MARCH, 2020

(Rs. per bundle of 4.54 kg)

Count/ Week	W E E K				March 2020	February 2020	March 2019
	I	II	III	IV			
10/1	1465	1465	1465	-	1465	1465	1329
16/1	1599	1584	1584	-	1589	1597	1494
21/1	1656	1656	1656	-	1656	1656	1537
22/1	1675	1675	1675	-	1675	1675	1550
26/1	1737	1737	1737	-	1737	1737	1687
28/1	1800	1800	1800	-	1800	1800	1750
30/1	1832	1832	1832	-	1832	1832	1788
32/1	1850	1850	1850	-	1850	1850	1800
40/1	2250	2250	2250	-	2250	2250	2300
52/1	2550	2550	2550	-	2550	2550	2550
60/1	2650	2650	2650	-	2650	2650	2600
70/1	2700	2700	2700	-	2700	2700	2700
20/2	1780	1780	1780	-	1780	1780	1626

Source: Pakistan Yarn Merchants Association, Karachi.

Table-9: EXPORTS OF TEXTILE GROUP COMMODITIES DURING MARCH, 2020

(Value = Rs. In Millions)

Commodities	Unit	March 2020		February 2020		March 2019		% Change Over February 2020		July –March 2019-2020		July –March 2018-2019		% Change	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	155	33	701	141	307	61	-77.89	-76.60	12,776	2,670	9,699	2,026	31.72	31.79
Cotton Yarn	M.T	33,666	13,055	40,210	15,063	36,268	12,792	-16.27	-13.33	336,437	128,188	320,128	110,258	5.09	16.26
Bed Wear	M.T	28,438	25,936	34,531	31,754	31,875	26,359	-17.65	-18.32	337,065	275,264	312,324	227,329	7.92	21.09
Towels	M.T	15,593	10,667	17,514	12,267	21,136	9,937	-10.97	-13.04	144,854	92,424	141,991	77,989	2.02	18.51
Cotton Cloth	Th.SQ	172,929	26,804	183,206	29,313	294,329	25,826	-5.61	-8.56	1,923,102	241,885	2,122,959	211,199	-9.41	14.53
Synthetic Fiber	Th.SQ	34,807	4,699	34,224	4,894	28,581	3,321	1.70	-3.98	360,576	40,795	276,823	29,168	30.26	39.86
Knitwear	Th.DoZ	10,721	33,236	14,857	39,854	10,007	29,980	-27.84	-16.61	96,837	359,407	89,530	285,055	8.16	26.08
Readymade Garments	Th.DoZ	3,403	33,123	4,252	43,282	5,222	29,818	-19.97	-23.47	42,785	338,997	38,742	259,638	10.44	30.57

Source: Pakistan Bureau of Statistics, Karachi.

The table above indicates that the exports of raw cotton and its related produce witnessed decreasing tendency except synthetic fiber during March,2020. The raw cotton exports decreased to 155 metric tons valuing Rs. 33 million as compared to 701 metric tons amounting to Rs.141 million in February, 2020. However, the exports in March, 2019 recorded at 307 metric tons amounting to Rs. 61 million, showing a decrease of 77.89 percent in quantity and 76.60 percent in value over February, 2020.

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Table-10: IMPORTS OF TEXTILE GROUP COMMODITIES DURING MARCH, 2020.

(Value = Rs. In Millions)

Commodities	Unit	March 2020		February 2020		March 2019		% Change Over February 2020		July-March 2019-2020		July- March 2018-2019		% Change	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	101,600	26,384	117,787	30,010	71,785	18,388	-13.74	-12.08	336,658	86,738	224,575	56,085	49.91	54.65
Synthetic Fiber	M.T	30,334	6,128	27,432	6,119	29,016	7,162	10.58	0.15	227,528	53,029	214,517	56,524	6.07	-6.18
Synthetic & Artificial Silk Yarn	M.T	20660	6,447	25,997	8,276	24,402	8,176	-20.53	-22.10	210,417	67,072	220,055	64,444	-4.38	4.08
Worn Clothing	M.T	25,985	2,029	31,324	2,105	36,826	2,144	-17.04	-3.61	313,104	21,394	342,007	17,137	-8.45	24.84
Other Textile Items	-	-	3,986	-	8,668	-	8,414	-	-54.01	-	70,859	-	103,320	-	-31.42

Source: Pakistan Bureau of Statistics, Karachi.

The table above indicates that the imports of raw cotton during March, 2020 decreased to 101,600 metric tons amounting to Rs.26,384 million as compared to 117,787 metric tons valuing Rs.30,010 million in February,2020. Whereas the imports in March, 2019 recorded at 71,785 metric tons amounting to Rs.18,388 million, showing a decrease of 13.74 percent in quantity and 12.08 percent in value over February, 2020.

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 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.

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

Sr. No.	Item	March, 2020
01.	Actual average export price per 40 Kgs	8,516 (Rupees) or 60.81 (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)	8061
04.	Value of 80 Kgs of cotton seed (b)	3644
05.	Ginning charges for 120 Kgs of seed cotton	600
06.	Value of 120 Kgs of seed cotton (c) (item 3+4-item 5)	11,105
07.	Seed cotton price per 40 Kgs (item 6/3)	3,702

Notes:

- a) One US\$ = 158.81 Pak rupees.
- b) Average price of cotton seed for March, 2020 in Rahim Yar Khan market was Rs. 1822 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	March, 2020
01.	Actual average cif (Karachi) Price, per 40 kgs	Rs.10,387 (Rupees) or 74.17 (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)	10,754
04.	Value of 80 Kgs of cotton seed (a)	3644
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	13,798
07.	Seed cotton price (item 6/3)	4,599

Note:

- a) Average price of cotton seed for March, 2020 in Rahim Yar Khan market was Rs. 1822 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

The area under cotton in China is expected to decrease by 6.6% to 3.08 million hectares in 2020-21 season owing to decrease in xinjiang region as farmers have been influenced by lower returns from cotton. Similarly, production is expected to decline by 6% to 5.454 million tons in 2020-21 as compared to 5.800 million tons in 2019-20. Whereas, consumption is projected to increase by 2.0% to 7.096 million tons in 2020-21. Imports by China are expected at 1.862 million tons as compared to 1.783 million tons in 2019-20, showing an increase by 4.4% over previous year. Ending stock in China is projected to increase by 6.5% to 9.461 million tons in 2019-20.

Table-14: CHINA SUPPLY AND DEMAND POSITION

Heads	(Million Metric Tons)				
	2016-17	2017-18	2018-19 Proj.	2019-20 Proj.	2020-21 Proj.
Beginning Stock	12.65	10.35	9.03	8.88	9.46
Production	4.90	5.89	6.04	5.80	5.45
Consumption	8.28	8.50	8.25	6.96	7.10
Import	1.10	1.32	2.10	1.78	1.86
Ending Stock	10.35	9.03	8.88	9.46	9.63

Source: Cotton this month May 01, 2020.

2. INDIA

India will continue to lead the world in cotton area despite an expected area contraction to 12.06 million hectares in 2020-21 with prices lower than competing crops in the area. Yields in India area expected to be lower as sowing has been delayed from late harvesting of other crops and the containment measures to control the pandemic. Production in India is expected to decline by 7.5% to 5.735 million tons in 2020-21 as compared to 6.200 million tons in 2019-20. However, mill consumption is expected to remain stable at the same level of 4.752 million tons in 2020-21. While exports are projected to rise by 69.0% to 0.893 million tons in 2020-21 as compared to 0.528 million tons in 2019-20.

3. INTERNATIONAL COTTON SITUATION 2019-20

Global area under cotton is expected to decline in 2020-21 by 4% to 33 million hectares. Similarly, world production for 2020-21 is expected to decrease by 4% to 25 million tons as against 2019-20 season due to decline in area. Global consumption for 2020-21 is currently expected at 23.2 million tons. With production exceeding consumption in a contracting global economy, stock levels would be expected to increase putting additional pressure on prices.

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Table-15: WORLD COTTON BALANCE SHEET

(Million Metric Tons)

Heads	2016-17	2017-18 Estimated.	2018-19 Estimated.	2019-20 Projected	2020-21 Projected	% Change in 2020-21 over 2019-20
Beginning stock	20.31	18.48	18.82	18.63	21.92	17.66
Production	23.08	26.71	25.68	26.23	25.05	-4.50
Consumption	24.79	26.35	26.01	22.94	23.16	0.96
Exports	8.19	9.02	9.08	8.26	8.42	1.94
Imports	8.09	8.99	9.22	8.26	8.42	1.94
Ending Stock	18.48	18.82	18.63	21.92	23.81	8.62

Source: Cotton this month May 01, 2020.

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

(Million Tons)

Countries	2016-17	2017-18	2018-19 Estimated.	2019-20 Estimated.	2020-21 Projected
Production					
India	5.87	6.35	5.35	6.20	5.74
China	4.90	5.89	6.04	5.80	5.45
USA	3.74	4.56	4.00	4.38	4.33
Brazil	1.53	2.01	2.73	2.88	2.46
Pakistan	1.66	1.80	1.67	1.32	1.31
Uzbekistan	0.79	0.80	0.64	0.64	0.64
Others	4.59	5.32	5.26	5.01	5.12
World Total	23.08	26.71	25.68	26.23	25.05
Consumption					
China	8.28	8.50	8.25	6.96	7.10
India	5.15	5.42	5.40	4.75	4.75
Pakistan	2.15	2.35*	2.36*	2.20*	2.16
Europe & Turkey	1.61	1.64	1.70	1.57	1.57
Vietnam	1.17	1.51	1.51	1.39	1.42
Bangladesh	1.41	1.66	1.58	1.18	1.21
USA	0.71	0.77	0.64	0.67	0.67
Brazil	0.69	0.68	0.73	0.73	0.73
Others	3.64	3.82	3.84	3.49	3.55
World Total	24.79	26.35	26.01	22.94	23.16

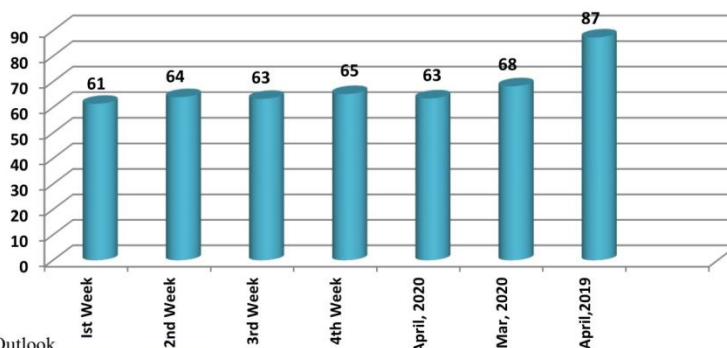
Source: Cotton this month May 01, 2020

*Provisional.

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

(US Cents per Pound)



Source: Cotton Outlook

The graph above shows that 'A' index prices during April, 2020 slackened to 63.00 cents per pound as compared to 68.00 cents per pound in March, 2020. However, the prices in April, 2019 were recorded higher at 87.00 cents per pound. Month-wise details are given as below:

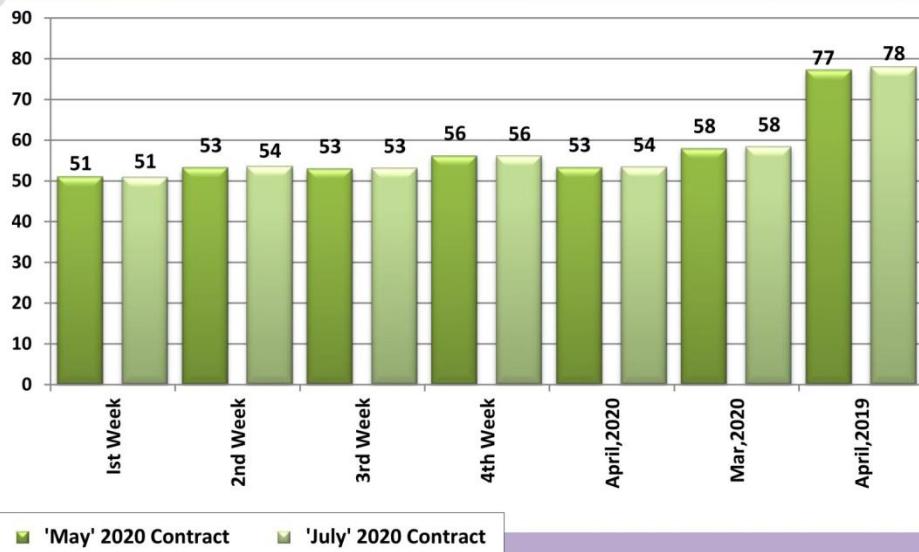
Table-17: MONTHLY AVERAGE PRICES OF "A" INDEX DURING 2018-19 & 2017-18

Month/Season	(US Cents Per Pound)	
	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
February,2020	76.57	81.18
March,2020	68.21	83.64
April,2020	63.43	87.28
Average 2019-20	72.64	86.51

Source: Cotton Outlook.

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

(US Cents Per Pound)



Source: Cotton Outlook

The graph above shows that the nearby May, 2020 contract during April, 2020 eased to 53.00 cents per pound as compared to 58.00 cents in previous month. However, the prices of same contract in the corresponding month of last year recorded much higher at 77.00 cents per pound.

