

COTTON REVIEW

DOMESTIC COTTON CROP SCENARIO

According to first estimates released by Agriculture Crop Reporting Service, the sowing of cultivated area during 2020-21 season witnessed decline of 12.0% owing to major reason behind this was non availability of good quality of seeds. The recent monsoon spell had caused huge loss in Sindh especially in the districts of Sanghar, Mirpur Khas, Umer Kot, Badin, Tando Allah Yar, Tando Muhammad Khan, Hyderabad and Dadu. The report indicated that 25% cotton crop in Sindh has been damaged. Quality and supply of seed cotton was affected. Picking was also affected due to rains. Similarly, the rains in cotton belt of Punjab have caused loss to cotton crop. The high moisture makes the cotton crop susceptible to pink boll worm attacks. The pink boll worm attacks can damage around 20-30 percent of the crop and affect lint quality. The farmers are advised to immediately drain out water from their fields. Standing water would cause plant wilting. Detail of targets and achievement of area is given in the following tables.

Table:1 PROPOSED TARGETS OF COTTON CROP DURING 2020-21

Province	Targets 2020-21	
	Area (Million Hectares)	Production (Million Bales)
Punjab	1.60	6.0
Sindh	0.64	4.6
KPK	0.01	0.0065
Balochistan	0.06	0.291
Total	2.31	10.89

Source: Federal Committee on Agriculture.

Table: 2 SOWING POSITION OF COTTON CROP 2020-21 SEASON

(Million Hectares)

Province	Proposed Target 2020-21	Area Sown		% Change Over	
		2020-21	2019-20	Target	Last Year
Punjab	1.60	1.546	1.889	96.6%	-18.16
Sindh	0.64	0.615	0.599	96.1%	+2.7
KPK	0.01	0.000216	0.000213	2.2%	+1.41
Balochistan	0.06	0.057	0.037	95.0%	+54.05
Total	2.31	2.218	2.525	96.02%	-12.16

Source: First estimates, Provincial Agriculture Crop Reporting Service, 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) 2020-21 , 2019-20& 2018-19

(Rs. per 40 Kg)

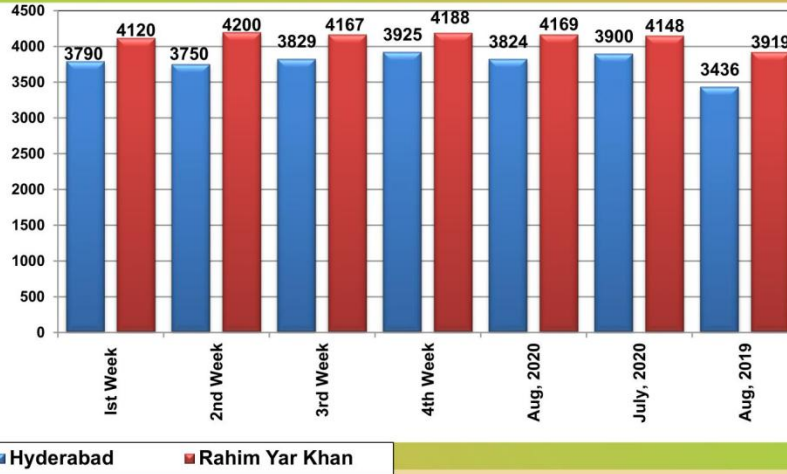
Months	Hyd	M.P. Khas	Ghotki	Khair Pur	Sukr	R.Y. Khan	Bahawal Pur	Vehari	Mian Channu	Sahiwal	Lodhran	D.G. Khan	Multan	Burewala
July,2020	3900	3740	-	-	-	4148	-	-	-	-	-	-	-	4189
August,2020	3824	3731	-	-	-	4169	-	3947	3915	4110	-	-	-	3972
Average 2020-21	3862	3736	-	-	-	4159	-	3947	3915	4110	-	-	-	4081
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

Source: Market Report.

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Figure-I: SEED COTTON PRICES DURING AUGUST, 2020

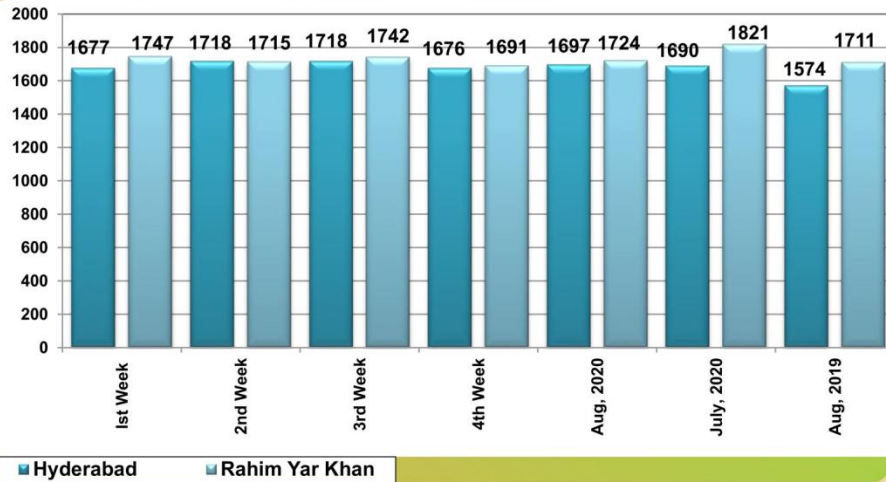
(Rs per 40 kg)



Source: Market Report

Figure-II: COTTON SEED PRICES DURING AUGUST, 2020

(Rs per 40 kg)

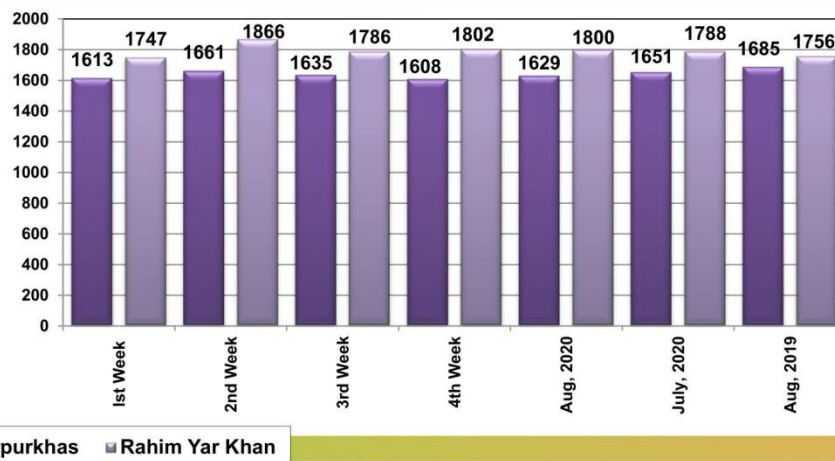


Source: Market Report

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

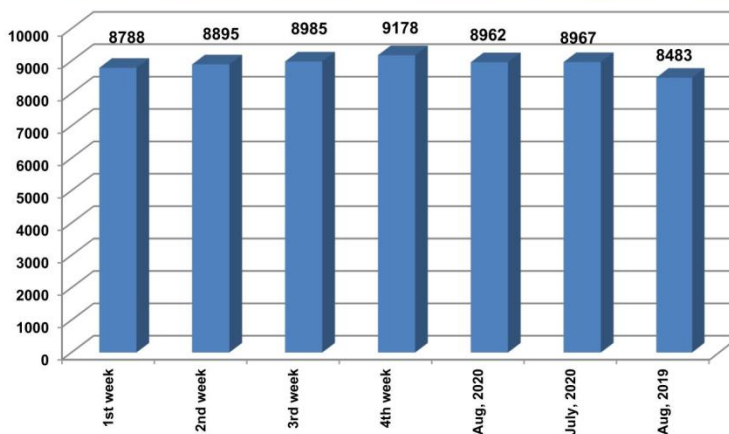
(Rs per 40 kg)



Source: Market Report.

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

(Rs per 40 Kg)



Source: The Karachi Cotton Association

The graph above shows that the prices of raw cotton during the month of August, 2020 eased to Rs.8,962 per 40 kg as compared to Rs. 8,967 in July, 2020. Whereas, the prices in August, 2019 were recorded much lower at Rs.8,483 per 40 kg. Month-wise details are given in table below:

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Table-5: MONTHLY AVERAGE PRICES OF RAW COTTON DURING 2019-20, 2018-19 & 2017-18

(Rs. per 40 kg)

Month	2019-20 Ex-Gin Rate	2018-19 Ex-Gin Rate
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
May,2020	9244	9371
June,2020	8804	9346
July,2020	8967	8927
Average 2019-20	9295	9214
August,2020	8962	8483

Source: Karachi Cotton Association.

Table 6: 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 witnessed increasing trend during the month of August, 2020. The prices of 21's and 30's count were recorded at Rs.1,655 and Rs.1,888 per bundle of 4.5 kg respectively as compared to Rs.1,536 and Rs.1,725 per bundle in previous month. However, 30's count was recorded lower at Rs.1,872 per bundle in the corresponding month of last year. Details are given as below:

Table-7: DOMESTIC COTTON YARN PRICES DURING AUGUST, 2020 (Rs. per bundle of 4.54 kg)

Count/ Week	W	E	E	K	August 2020	July 2020	August 2019
	I	II	III	IV			
10/1	1420	1420	1420	1420	1420	1370	1450
16/1	1532	1553	1562	1555	1551	1475	1594
21/1	1611	1646	1681	1681	1655	1536	1677
22/1	1650	1670	1690	1690	1675	1560	1719
26/1	1704	1739	1774	1774	1748	1633	1806
28/1	1720	1750	1780	1780	1758	1650	1800
30/1	1922	1895	1868	1868	1888	1725	1872
32/1	1920	1900	1880	1880	1895	1720	1876
40/1	2250	2250	2250	2250	2250	2180	2338
52/1	2500	2500	2500	2500	2500	2450	2638
60/1	2600	2600	2600	2600	2600	2550	2694
70/1	2650	2650	2650	2650	2650	2600	2788
20/2	1750	1751	1752	1752	1751	1648	1793

Source: Pakistan Yarn Merchants Association, Karachi.

Table-8: EXPORTS OF TEXTILE GROUP COMMODITIES DURING JULY, 2020 (Value = Rs. In Millions)

Commodities	Unit	July 2020		June 2020		July 2019		% Change Over June 2020	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	-	-	-	-	3,317	658	0.00	0.00
Cotton Yarn	M.T	28,448	10,093	35,984	12,271	38,739	15,475	-20.94	-17.75
Bed Wear	M.T	41,082	40,556	27,680	27,462	38,627	30,827	48.42	47.68
Towels	M.T	18,125	12,978	13,931	9,727	14,274	10,182	30.11	33.42
Cotton Cloth	Th.SQQ	164,120	24,911	165,137	21,495	211,241	23,456	-0.62	15.89
Synthetic Fiber	Th.SQM	35,067	4,734	35,027	4,003	40,492	3,955	0.11	18.26
Knitwear	Th.DoZ	11,354	52,647	7,654	36,549	9,917	41,639	48.34	44.04
Readymade Garments	Th.DoZ	3,787	45,734	2,535	30,541	5,637	36,900	49.39	49.75

Source: Pakistan Bureau of Statistics, Karachi.

The table above indicates that raw cotton was not exported in the month of July, 2020 but its related produce witnessed increasing tendency except cotton yarn and cotton cloth. However, the raw cotton exports in July, 2019 were recorded at 3,317 metric tons amounting to Rs. 658 million.

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Table-9: IMPORTS OF TEXTILE GROUP COMMODITIES DURING JULY, 2020.

(Value = Rs. In Millions)

Commodities	Unit	July 2020		June 2020		July 2019		% Change Over June 2020	
		Qty	Val	Qty	Val	Qty	Val	Qty	Val
Raw Cotton	M.T	32,825	8,689	64,690	17,001	14,583	4,345	-49.26	-48.89
Synthetic Fiber	M.T	35,860	6,367	23,091	4,217	24,716	6,735	55.30	50.98
Synthetic & Artificial Silk Yarn	M.T	18,014	5,677	15,115	4,675	13,588	5,125	19.18	21.43
Worn Clothing	M.T	25,202	1,862	20,838	1,462	38,068	2,548	20.94	27.36
Other Textile Items	-	-	6,314	-	4,993	-	7,580	-	26.46

Source: Pakistan Bureau of Statistics, Karachi.

The table above shows that the imports of raw cotton during July, 2020 slided down to 32,825 metric tons amounting to Rs.8,689 million as compared to 64,690 metric tons valuing Rs.17,001 million in June,2020. Whereas the imports in July, 2019 recorded at 14,583 metric tons amounting to Rs.4,345 million, showing a decrease of 49.26 percent in quantity and 48.89 percent in value over June, 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-10: 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	Rupee of Purchased inputs cost	Gross Revenue Per Day of Crop Duration	Acre inch of irrigation water used
PUNJAB					
1	2	3	4	5	
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-11: 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-12: IMPORT PARITY PRICE OF SEED COTTON ON THE BASIS OF ACTUAL AVERAGE CIF (KARACHI) PRICE OF IMPORTED COTTON

Sr. No.	Item	July, 2020
01.	Actual average cif (Karachi) Price, per 40 kgs	Rs.10,588 (Rupees) or 71.68 (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)	10,955
04.	Value of 80 Kgs of cotton seed (a)	3642
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	13,997
07.	Seed cotton price (item 6/3)	4,666

Note:

- a) One US\$ = 167.51 Pak rupees.
- b) Average price of cotton seed for July, 2020 in Rahim Yar Khan market was Rs. 1821 per 40 Kg.
- c) 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 is continued to reduce by 2.7% to 3.2 million hectares in 2020-21 as compared to 3.3 million hectares in 2019-20 and is expected to produce 5.7 million tons, a second continuous year of decline. On the contrary, consumption is expected to rise by 7.6% to 7.800 million tons in 2020-21. Imports by China are estimated at 2.00 million tons, indicating an increase of 14.3% over previous season. Stock level in China is estimated to decline by 1.9% to 8.965 million tons in 2020-21 as compared to previous year.

Table-13: CHINA SUPPLY AND DEMAND POSITION

(Million Metric Tons)

Heads	2016-17	2017-18	2018-19 Proj.	2019-20 Proj.	2020-21 Proj.
Beginning Stock	12.65	10.35	9.03	8.88	9.14
Production	4.90	5.89	6.04	5.80	5.68
Consumption	8.28	8.50	8.25	7.25	7.80
Import	1.10	1.32	2.10	1.75	2.00
Ending Stock	10.35	9.03	8.88	9.14	8.97

Source: Cotton this month September 01, 2020.

2. INDIA

Cotton area in India is estimated to decline by 5.0% to 12.6 million hectares in 2020-21 as compared to 13.3 million hectares in 2019-20. While production in India is expected to remain same at 6.2 million tons as was in previous year. Whereas mill consumption is expected to rise by 20.0% to 5.1 million tons in 2020-21. Indian exports have seen a rise of 77.7% in 2020-21 as compared to the previous season.

3. INTERNATIONAL COTTON SITUATION 2020-21 

Global world cotton area is expected to decline by 6.2% to 32.23 million hectares in 2020-21 as compared to 34.22 million hectares in 2019-20. Global cotton production is estimated to decrease by 4.4% to 25.05 million tons in 2020-21 as low prices and food security concerns have led to less planted area in some countries. While consumption is estimated to increase by 7.2% to 24.336 million tons in 2020-21. Global trade is estimated to increase by 7.8% and 5.4% to 9.274 million tons imports and exports respectively in 2020-21. World ending stocks are currently estimated to increase by 3.3% to 22.707 million tons in 2019-20 season.

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Table-14: 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	18.80	18.72	21.99	+17.47
Production	23.07	26.71	25.70	26.16	25.05	-4.24
Consumption	24.79	26.35	25.99	22.70	24.34	+7.22
Exports	8.19	9.03	9.05	8.80	9.27	+5.34
Imports	8.09	8.98	9.27	8.60	9.27	+7.79
Ending Stock	18.48	18.80	18.72	21.99	22.71	+3.27

Source: Cotton This Month September 01, 2020.

Table -15: COTTON PRODUCTION AND CONSUMPTION IN MAJOR COTTON GROWING COUNTRIES DURING LAST 5 YEARS

(Million Tons)

Countries	2016-17	2017-18 Estimated.	2018-19 Estimated.	2019-20 Projected	2020-21 Projected
Production					
India	5.87	6.35	5.35	6.20	6.20
China	4.90	5.89	6.04	5.80	5.68
USA	3.74	4.56	4.00	4.34	3.94
Pakistan	1.53	2.01	2.78	2.93	2.51
Brazil	1.66	1.80	1.67	1.32	1.19
Uzbekistan	0.79	0.80	0.64	0.64	0.64
Others	4.59	5.31	5.22	4.94	4.90
World Total	23.07	26.71	25.70	26.16	25.05
Consumption					
China	8.28	8.50	8.25	7.25	7.80
India	5.15	5.42	5.40	4.25	5.10
Pakistan	2.15	2.35*	2.36*	2.20*	2.16
Europe & Turkey	1.61	1.64	1.70	1.62	1.64
Vietnam	1.17	1.51	1.51	1.45	1.48
Bangladesh	1.41	1.66	1.58	1.37	1.41
USA	0.71	0.77	0.63	0.47	0.58
Brazil	0.69	0.68	0.73	0.61	0.61
Others	3.64	3.82	3.84	3.48	3.55
World Total	24.79	26.35	25.99	22.70	24.34

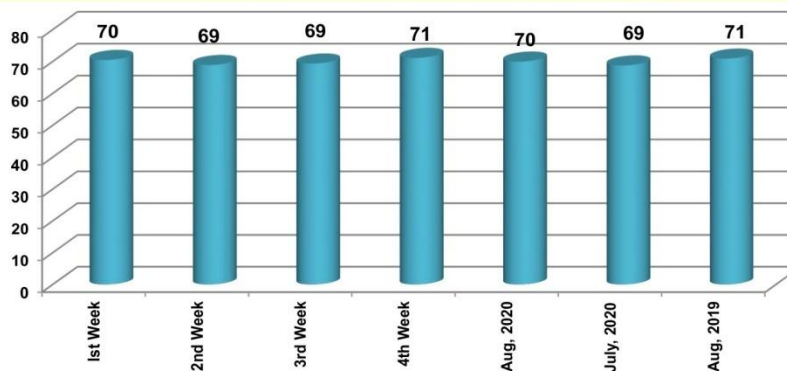
Source: Cotton This Month September 01, 2020

*Provisional.

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Figure-V: COTLOOK 'A' INDEX DURING AUGUST, 20220

(US Cents per Pound)



Source: Cotton Outlook.

The graph above shows that 'A' index prices during August, 2020 posted gains to 70.00 cents per pound as compared to 69.00 cents per pound in July, 2020. However, the prices in August, 2019 were recorded higher at 71.00 cents per pound. Month-wise details are given as below:

Table-16: MONTHLY AVERAGE PRICES OF "A" INDEX DURING 2019-20 & 2018-19

(US Cents Per Pound)

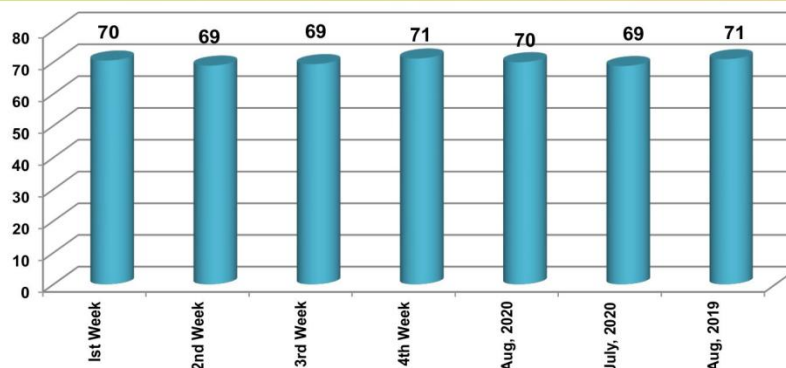
Month/Season	2019-20	2018-19
August,2019	70.89	94.73
September,2019	71.26	90.54
October,2019	73.62	86.72
November,2019	74.89	86.58
December,2019	75.83	85.75
January,2020	79.08	82.19
February,2020	76.57	81.18
March,2020	68.21	83.64
April,2020	63.43	87.28
May,2020	65.72	80.49
June,2020	67.77	77.58
July,2020	68.73	75.66
Average 2019-20	71.33	84.36
August,2020	69.95	70.89

Source: Cotton Outlook.

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Figure-V: COTLOOK 'A' INDEX DURING AUGUST, 20220

(US Cents per Pound)



Source: Cotton Outlook.

The graph above shows that 'A' index prices during August, 2020 posted gains to 70.00 cents per pound as compared to 69.00 cents per pound in July, 2020. However, the prices in August, 2019 were recorded higher at 71.00 cents per pound. Month-wise details are given as below:

Table-16: MONTHLY AVERAGE PRICES OF "A" INDEX DURING 2019-20, 2018-19 & 2017-18

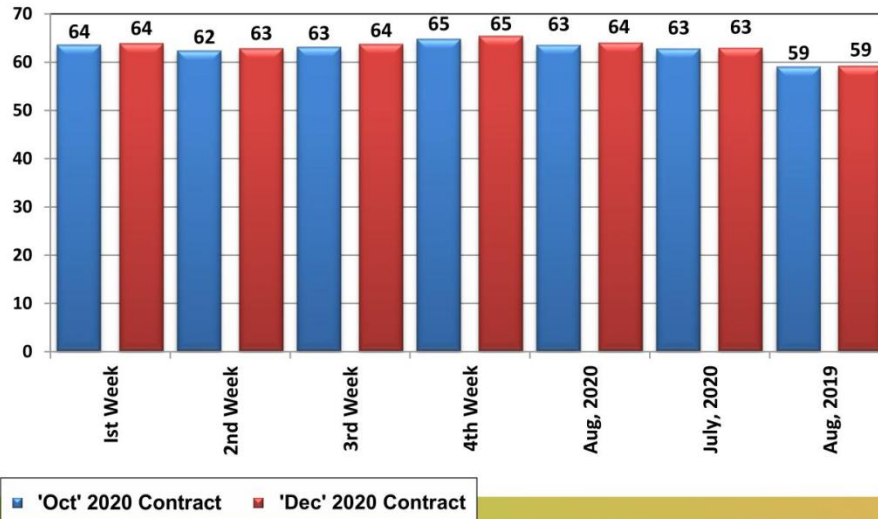
(US Cents Per Pound)

Month/Season	2019-20	2018-19
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
May,2020	65.72	80.49
June,2020	67.77	77.58
July,2020	68.73	75.66
Average 2019-20	71.33	84.36
August,2020	69.95	70.89

Source: Cotton Outlook.

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

(US Cents Per Pound)



Source: Cotton Outlook

The graph above shows that the nearby October, 2020 contract during August, 2020 remained stable at previous month's level of 63.00 cents per pound. However, the prices of same contract in the corresponding month of last year recorded lower at 59.00 cents per pound.

