

Indian Cotton Spinning Industry

Cotton output in 2024-25 declines with lower cotton sowing and uneven rainfall; imports rise sharply in recent months

DECEMBER 2024



Bps: Basis points (one basis point is equivalent to one hundredth of a percent)

Bt: Genetically modified cotton crop

CAI: Cotton Association of India. All segments of the cotton trade and textile industry are represented in CAI.

COCP: Committee on Cotton Production and Consumption. Advises the Indian government on matters pertaining to production, consumption and marketing of cotton.

CCI: Cotton Corporation of India Limited. A Government of India agency, engaged in trade, procurement, and export of cotton.

CMIE: Centre for Monitoring Indian Economy

Cotlook A: An index representative of level of offering prices on the international raw cotton market. It is an average of the cheapest five quotations from a selection of upland cottons traded internationally.

DA&FW: Department of Agriculture and Farmers' Welfare

CY: Calendar Year

CY_i: Indian cotton year (CY_i) starts in October and ends in September.

ICAC: International Cotton Advisory Committee. An association of governments of cotton producing, consuming and trading countries.

MSP: Minimum support price. A form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices.

QoQ: Quarter on quarter

YoY: Year-on-year



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A 10.4% YoY reduction in domestic cotton sowing area amid erratic rainfall and shift to alternate crops resulted in ~8% YoY dip in cotton output in CY₁2025 (October 2024 to September 2025) as per the first advance estimates.

Amid low cotton output, a sharp rise in imports has been witnessed since Aug 2024. Contraction in output is likely to result in a moderate rise in domestic prices in the near to medium term.

Spinners' ability to pass on the expected rise in cotton prices remains crucial for maintaining their profitability.



- Cotton is a cash crop grown in the tropical and sub-tropical climate and follows the kharif sowing pattern. The sown acreage for cotton in CY₁2025 (as per the first advance estimates) declined by 10.4% YoY due to multiple factors like unseasonal and erratic rainfall, fluctuations in temperature, pest attacks, unfavourable realisations, elevated input costs, and a gradual shift towards alternative crops.

- Despite lower acreage, cotton yield improved by ~3% YoY in CY₁2025. Nevertheless, cotton production declined by ~8% YoY to 29.9 million bales (based on the first Advance Estimates released by DA&FW). As a result, cotton output is currently the lowest in the last 10 years.

- While cotton output is on a declining trend, consumption levels are expected to rise marginally over the medium term with improving yarn demand, both from domestic and export markets. This shall necessitate increased dependence on cotton imports.

- Following a 7% increase in the minimum support price (MSP) of cotton in October 2024, cotton trading prices have been below MSP levels in recent weeks, a trend that was last seen during the pandemic. While this is a temporary phase, contraction in cotton output is likely to result in a gradual rise in domestic cotton prices in the near to medium term.

- An improving cotton yarn realisation coupled with lower cotton fibre prices are resulting in an increase in spot contribution margins to Rs.101/kg in November 2024, compared to average spot contribution margins of ~Rs.90/kg witnessed in FY2024.

- With expanding spot contributions, domestic cotton spinners are likely to witness moderate expansion in margins till 9M FY2025. However, the lower cotton production in CY₁2025 and increase in MSP prices shall moderate the profit margins of spinners from Q4 FY2025. Their ability to pass on the increase in cotton fibre prices remains crucial for maintaining their profitability.



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