

Cotton output in 2011-12 may miss estimate

Shipments may slump by around a half to 2 million tonne by Dec end from a year earlier due to lower demand

Banikankar Pattanayak
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COTTON arrivals in the domestic market have crashed by around 25% until December 11, raising concerns that the country's fibre crop in the year through September 2012 may be smaller than anticipated despite higher planting, government and industry officials said on Tuesday.

Cotton arrivals dropped to 6.24 million bales until December 11 since harvesting began around October, compared with 8.39 million bales a year earlier, according to the official data. One bale equals 170 kg.

Textile industry and cotton trading executives say production will likely be in the range of 32 million to 34 million bales in 2011-12 due to lower yield despite a 10% increase in areas under the fibre crop to 12.19 million hectares. While the Cotton Advisory Board (CAB) has pegged production for 2011-12 at 35.60 million bales, the agriculture ministry has forecast a crop size of 36.1 million bales. India, the

world's second-largest cotton grower as well as supplier, produced 32.5 million bales of cotton in 2010-11, according to the CAB estimate.

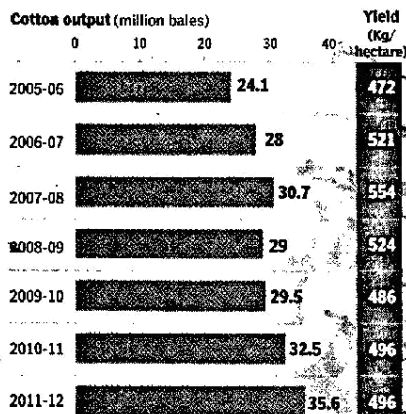
"Hot and dry weather conditions have hit the yield, especially in Maharashtra and Andhra Pradesh. Cotton coverage in non-traditional regions is another reason for lower yield," said a senior executive at a big trading house in Mumbai, who didn't want to be named.

Record prices of the fibre in 2010-11 due to huge export demand following a worldwide shortage encouraged many farmers even in non-traditional regions with little experience in cotton farming to shift to the crop for better returns this year, said the executive. "Lack of good farm practices, little exposure in cotton farming and different soil have affected yield in non-traditional areas," he added.

In November, the CAB had forecast the average cotton yield of 496 kilograms a hectare in 2011-12, the same level as last year.

"Unseasonal showers in

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Source: CCI *CAB Projection in November

December and, maybe in early January, hold some promise for some revival in the yield level, but even then the production will be lower than the estimate," said a senior textile industry executive. Cotton farmers in Maharashtra's Marathwada

regions also said the yield in the key producing belts have been lower this year, prompting them to seek higher state-fixed benchmark price for the crop so that they can sell to government agencies at a "very minimal" profit. Do-



from the country have not picked up as expected despite the removal of a ceiling on shipment volumes in 2011-12 and a weakening rupee, mainly due to poor demand and a surplus global output, the executives said. A senior government official said cotton shipments may slump by around a half to 2 million tonne by end-December from a year earlier.

Cotton production in China and Pakistan, top buyers of the Indian cotton, is expected to rise to 7.25 million tonne and 2.27 million tonne in 2011-12, compared with 6.40 million tonne and 1.91 million tonne, respectively, a year earlier on better weather conditions, the International Cotton Advisory Council said.

Global cotton consumption is expected to touch 24.72 million tonne in 2011-12, compared with an output of 26.91 million tonne, according to the Council's estimate.

"The global financial crisis has affected demand. Only the Chinese are buying now. Buyers from Pakistan

are almost absent because they have got a better crop this time. Moreover, the quality of our crop is again an issue with some exporters," said another trade executive. "Quality of the crop has been hit in some regions by rough weather. Plus, some people are mixing old stocks with the new crop, creating suspicion in the minds of the buyers about the quality."

The executives, however, said exports may still rise to around 8 million bales in 2011-12, compared with nearly 7 million bales last year, although the shipments are unlikely to touch 9 million bales as expected by some earlier. "Despite the lower yield, the crop size is still good. And if the rupee continues to be weak, exports are likely to be higher than the last year level, one of them said.

The rupee has depreciated around 10% against the dollar since September as investors banked on the haven appeal of the greenback amid the financial turmoil, making overseas despatches more remunerative for Indian traders.