

Cotton output likely to fall as rains hit crop

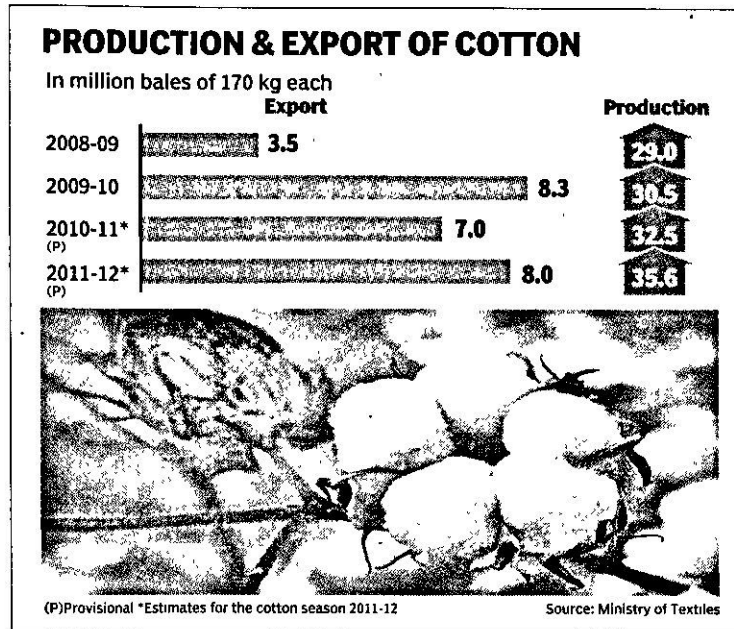
Jan 5: Cotton production in India, the world's second-biggest grower, will be less than forecast after unseasonal rains cut yields, a textile-mill group said.

"The harvest may reach 32.5 million bales to 33 million bales of 170 kg each in the year that started October 1," DK Nair, secretary-general of the Confederation of Indian Textiles Industry, said in an interview from New Delhi. That compares with 35.6 million bales estimated by the cotton advisory board on November 15 and 34.5 million bales predicted by the US department of agriculture on December 31.

A smaller Indian crop may support in prices, which slumped 56% from a record \$2.197 per pound on March 7 in New York on expectations of bigger global harvests.

Global production will be a record 123.42 million bales of 218 kg each this crop season, the USDA said on December 9.

"Although the area is higher, yields have come down because of bad weather," Nair said on Wednesday. "There has been some crop loss in Andhra Pradesh because of rains and there were problems in Maharashtra."



The area under cotton climbed 9.9% to 12.2 million hectares from a year earlier, according to the board. Maharashtra and Andhra Pradesh are the second and third-largest growers.

"Prices will see some upside on lower Indian output, but gains will

be capped as production globally is on the higher side," Vandana Bharti, vice-president for research at SMC Comtrade, said by phone from New Delhi.

Cotton for March delivery was little changed at 95.80 cents a pound on ICE Futures US in New York at 3 pm

in Mumbai. Futures slumped 37% last year, the most since 2004.

Overseas sales may be about 8 million bales this year, 14% higher than a year earlier, after the government freed exports, Nair said.

"There is good export demand from China as it is building reserves," he said. Exporters may have registered with the trade ministry to ship 4.4 million bales since October 1, he said.

China's imports may climb to 3.3 million tonnes in the year ending July 31 from 2.7 million tonnes a year earlier, Terry Townsend, executive director of the International Cotton Advisory Committee, said on November 7.

"China is looking to build its reserves in most commodities and may boost Indian purchases when the new crop arrivals pick up around March-April," Vimala Reddy, analyst at Karvy Comtrade, said from Hyderabad.

A decline in the Indian currency to a record last month may keep some buyers away, she said.

The rupee was Asia's worst performer last year, reaching a record low of 54.305 a dollar on December 15. *Bloomberg*