

Cotton crop soars on best monsoon in 25 years; yield may be higher by 15% than last year

By: Bloomberg | Published: October 3, 2019

Cotton output in India, the world's biggest producer, is set to surge after the heaviest monsoon rain in a quarter century, adding to global supply at a time when prices are near their weakest in more than three years.



More supply from the South Asian producer will weigh on world prices, hurting farmer incomes and benefiting textile manufacturers. www.financialexpress.com/%2Fcommodity/%2F cotton-crop-soars-on-

Cotton output in India, the world's biggest producer, is set to surge after the heaviest monsoon rain in a quarter century, adding to global supply at a time when prices are near their weakest in more than three years. The crop may reach at least 36.5 million bales of 170 kilograms each (375 pounds) in the year that started Oct. 1, said Vinay N. Kotak, director at brokers Kotak Commodity Services in Mumbai. That's more than 15% higher than output a year earlier, according to estimates from the Cotton Association of India.

More supply from the South Asian producer will weigh on world prices, hurting farmer incomes and benefiting textile manufacturers. Rising shipments from the country will intensify competition among global exporters as they struggle to grab a bigger share of the Chinese market.

"The distribution of rain has been good and that will improve yields," said Kotak, who has about 30 years experience in the industry. Damage from excess rain in some areas will be offset by higher yields, he said in a phone interview.

Benchmark cotton futures in New York have slumped 20% in the past year on ample supplies after China slapped retaliatory tariffs on U.S. imports as part of their ongoing trade war. Textile exporters in the Asian country are also facing a decline in overseas demand because of American import tariffs.

India has just enjoyed its best monsoon in 25 years. In Gujarat, the top producing state, rainfall was more than 40% higher than the long-term average from June to September, while in Maharashtra, the second-largest, rain was 30% above normal. Planted area also increased to 12.77 million hectares from 12.1 million a year earlier, farm ministry data show as of Sept. 27.

The country's cotton exports may climb to 5 million bales this year from 4.4 million bales in 2018-19, Kotak said. Sales to China could advance to as much as 1.5 million bales from 1.2 million a year earlier, he said. India is facing increased competition in almost all markets and the government should provide some incentives to make exports attractive, he added.

Traders have so far contracted to ship about 100,000 bales from the new crop, compared with 500,000 bales to 600,000 bales a year earlier, he said.

Source: <https://www.financialexpress.com/economy/cotton-crop-soars-on-best-monsoon-in-25-years-yield-may-be-higher-by-15-than-last-year/1725071/>