

USDA pegs next season's cotton crop 4% higher, industry keeps its finger crossed

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Natural fibre's output projected at 378 lakh bales on 5% higher yield

The US Department of Agriculture (USDA) has pegged India's cotton production next season (October 2021 - September 2022) at 378 lakh bales (of 170 kg each), up four per cent from its current season's estimate of 362.5 lakh bales.



But the Indian textile industry feels that it is too early to make any projection, given the vagaries of the South-West Monsoon.

In its "Cotton and Products Update", it said that the higher production would be in view of yield increasing by five per cent as the South-West Monsoon

has been forecast to be normal by the India Meteorological Department (IMD).

The projection has been made despite the USDA pegging the area under cotton lower at 129 lakh hectares compared with 130 lakh hectares. Sowing of cotton is scheduled to begin shortly in States such as Punjab and Haryana, while in other States it will start next month.

Current season output

The USDA's cotton projection next season is also against India's Committee for Cotton Production and Consumption (CCPC), which has all stakeholders including government officials on board, estimating the current season's production at 360 lakh bales at its meeting held on April 30 this year.

The CCPC had cut its estimate from its earlier projection of 371 lakh bales and the estimate is in tune with the Cotton Association of India (CAI), a traders' organisation, pegging the output at 360 lakh bales since the beginning of the season.

When contacted, Southern India Mills Association Secretary-General K Selvaraju said that India's cotton production could top even 400 lakh bales provided the monsoon was normal and the crop did not get affected by any pest.

"Heavy rains had affected the crop in the last two years. In addition, we had pest attacks too," he said.

Hit by unseasonal rains

In 2019, unseasonal rains during September-October affected the crop and also led to pest attacks on the crop in States such as Maharashtra and Gujarat. Last year, unseasonal rains hit the crop in States such as Telangana, Andhra Pradesh and Madhya Pradesh besides Maharashtra. Production during 2019-20 was 365 lakh bales.

“In Telangana, we were expecting a production of 70 lakh bales but the rains reduced it to 50 lakh bales,” Selvaraju said.

Last season, Telangana topped Gujarat to become the State where cotton acreage was the second largest at 60 lakh hectares (lh). This season, the State expects to increase it further to 75-80 lh.

While the cotton trade said it trusted the US outlook, textile industry sources said it was too early to make any forecast or prediction on the crop. The comment was in view of the USDA projecting the production at 371 lakh bales before revising it downwards. “This has been happening for the last two years,” a textile industry source, who did not wish to identify, said.

Yield, the key

“Even if we presume the acreage will continue to remain the same at 130 lh, we have to watch out for the yield. Our yield is only one-third of the 1,500 kg per hectare produced by some 20 other countries. Australia produces over 2,500 kg per hectare of cotton,” the source said.

India’s cotton yield had touched a record 512 kg per hectare during 2016-17 before dropping to a low of 449 kg during 2018-19. Since then, the yield has improved to 487 kg this season, the source added.

For the next season, the USDA pegs the yield at 498 kg per hectare compared with its estimate of 474 kg this season and 469 the previous season.

“There has been an increase in the yield in some States but the area under cotton is less. It does not make much of a difference,” the textile industry sources said.

Currently, Rajasthan tops in cotton yield (683 kg), while Maharashtra languishes at the bottom (349 kg).

MSP effect

Selvaraju said cotton acreage could be retained next season since the minimum support price (MSP) offered by the Union Government was good. For the current season, the Centre paid ₹5,515 a quintal for raw cotton. It is likely to be raised for the next season.

“Cotton is one of the best crops in terms of returns. This season, at least 30-40 per cent of the crop produced in the year was procured at MSP by the Cotton Corporation of India. The rest of the crop fetched good prices for the farmers,” the SIMA official said.

This season, cotton prices ruled at MSP level from the beginning before gaining further. The rise was despite a record carryover stock of 120.95 lakh bales as estimated by CCPC.

“Our yield has not improved since we have not focussed on seed development. Allocation has been meagre in the last two years due to the Covid situation. Even otherwise, the technology we got for seed development expired in 2012 and new initiatives are needed,” the textile industry source said.

Other projections

For the next season, the USDA has estimated the consumption by the industry next season at 324 lakh bales compared with 301 lakh bales this year. It said mills consumption was expected to increase eight per cent.

It also projected exports to be 77 lakh bales compared with this season's projection of 66.5 lakh bales. According to trade sources, exports during the current season are 59 lakh bales till last weekend.

The US agricultural body sees cotton imports at 12.8 lakh bales compared with 10.24 lakh bales estimated for the current season. It has also projected the carryover stocks at 128.69 lakh bales compared to this season's estimate of 131.81 lakh bales.

The CCPC has, however, estimated the carryover stocks this season at 97.95 lakh bales compared with last season's record 120.95 lakh bales.

Source: <https://www.thehindubusinessline.com/markets/commodities/usda-pegs-next-seasons-cotton-crop-4-higher-industry-keeps-its-finger-crossed/article34526927.ece>