

Global cotton output likely to increase 3% next season: USDA

Indian output may rise 12 per cent, but world offtake seen stagnant

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Cotton production is likely to increase in the next global season (August 2022-July 2023) by 3.3 per cent, but consumption and world trade may remain stagnant or see a marginal rise only, the US Department of Agriculture (USDA) has said.

This is in view of lower consumption by China, Bangladesh, and Vietnam, it said.

“Global consumption prospects have declined as negative macroeconomic forces dampen consumer demand for goods as greater demand for services is manifested and combined with higher inflation. The World Bank and the Organization for Economic Cooperation and Development



Industry stakeholders believe that cotton exports would be lower this crop year

have downgraded their global economic outlooks recently relative to forecasts from earlier this year, and the International Monetary Fund has signalled a decline in its projections later this month,” the USDA said in its latest ‘World Markets and Trade’ outlook.

Combination of factors

Lower consumption prospects can also be attributed to a combination of factors including

the recent price rally of cotton, high container rates and limited supply, besides rising inflation and hike in interest rates globally, including the Federal Reserve’s recent actions, it said.

The USDA has estimated next season’s global output at 153.7 million bales (of 170 kg each) against 148.80 million. India and China are likely to produce an identical 35.2 million bales. India’s cotton crop this season has been estimated at 31.37 million bales, in line with the trade’s revised estimates, while China’s crop is projected at 34.5 million bales. This will mean, India’s output will increase 12 per cent.

Estimates lowered

The USDA has lowered its global crop estimates for next season from 155.31 million bales a month ago. Subsequently, it lowered consumption for next season from its outlook a month ago. However, it will be marginally higher than the current sea-

son. Consumption is estimated for next season at 153.49 million bales against 153.42 million bales this season. In June, it had pegged next season’s consumption at 155.65 million bales.

Global imports are estimated at 59.38 million bales against 55.48 million bales. However, they are lower than the June outlook of 60.81 million bales.

“Lower production, late crops, logistical delays, and stalled negotiations related to late shipments are impeding global trade. Major exporters including India and Australia are dealing with these issues in the current season, with Indian production down and therefore having less supplies available to ship, and Australia’s crop being later than expected and delaying shipments,” the USDA said.

Ending stocks up a tad

Future cotton lint production and consumption continue to

be suppressed by weaker demand for cotton products, the agency said, adding that global imports are expected to rebound next year owing to an increase in exportable supplies though the use will remain flat.

The USDA projected ending stocks at 107.9 million bales against 107.6 this season. It said the season-average US farm price for cotton is estimated to be 95 cents a pound (₹60,000 per candy of 356 kg) against 92 cents this season (₹58,125/candy).

Benchmark cotton futures on Inter Continental Exchange are currently ruling at nearly 10-month low of 94.25 cents a pound (₹74,575/candy). Domestic cotton prices are currently ruling at ₹86,500 a candy, while on MCX cotton for delivery in August is quoted at ₹38,720 a bale (₹81,100/candy). Prices have dropped by a third over the past month on fears of lower demand and prospects of higher supply.