

# Better supply, stable prices: Cotton sector expects better season

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The Indian cotton sector is hoping for relatively good supply and stable prices in the coming season, which starts from October 1, after a difficult year.

According to industry players, the yarn segment has been reeling from the impact of low demand, high cotton prices, and growing stockpiles. Demand, especially, has taken a hit because of the war in Ukraine, which has affected demand from Europe, while the economic slowdown in the US and other developed countries has also been a setback.

On the supply side, the first advanced estimate has offered some hope. It has pegged cotton production next year at 34.19 million bales (1 bale weighs 170 kilograms), a rise of 9.58 per cent over the production number as per the fourth advanced estimate of the 2021-22 season.

However, stakeholders are sceptical about the estimate because of the unexpected late rains in the main cotton growing regions, increased pest attacks, and some shift towards other crops have made stakeholders wary of the estimates. Besides, they are also wary of the accuracy of the first estimate since it underwent massive revision this season.

The Centre in its first advanced estimate released on September 21, 2021, had pegged the output in the 2021-22 season at 36.21 million bales. By the fourth estimate released on August 17 this year, the number had been cut by almost 14 per cent to 31.20 million bales. The revisions meant that India, which is looking to export cotton, had to scramble for supplies to meet the demand from yarn and textile industry in seven to eight months. The Centre slashed the import duty of 11 per cent in April to enable yarn and textile makers to replenish inventories.

## Missing orders

“The cotton production numbers may change

## TAKING STOCK

Cotton production

(in mn bales)



Note: Cotton season runs from October to September

\*According to fourth Advanced Estimates

1 bale equals 170 kg

Source: Government of India

depending upon pest attacks, climatic changes and intensity of rain,” said K Venkatachalam, chief advisor, Tamil Nadu Spinning Mills Association (Tasma). For the textile industry, Venkatachalam said the problem now is not with the crops and prices, but orders. “Orders in the yarn segment have reduced almost 70 per cent due to the global economic slowdown,” Venkatachalam said.

This year, cotton prices more than doubled to around ₹95,000 per candy (1 candy=356 kg) in May, up from around ₹48,000 at the beginning of this season, an increase of almost 98 per cent due to low supplies and high demand.

In the coming year, the textile industry feels prices may stabilise around ₹60,000-70,000 a candy. “Due to the Ukraine war, high inflation across the world, and high interest rates, demand has slowed down and global prices of cotton are falling, which is why we expect prices to stabilise around ₹60,000-70,000 a candy,” said Sanjay Kumar Jain of Delhi-based firm TT.