

India is marching ahead in the race of cotton producers' countries

India will be the world's No. 1 cotton grower this year, ousting China from the top spot for the first time in over 30 years, US government said on, reflecting a dramatic shift in global

supplies amid uncertainty over Beijing's farm policy. If the projections by the US Department of Agriculture (USDA) are accurate, it will mark the end of China's dominance of the global cotton market just as Beijing scraps its stockpiling program.

The state reserve's purchasing has supported the country's farmers and boosted global prices for the past three years. It also comes as the country's textile industry loses its competitive edge with soaring labor and raw material costs forcing some yarn makers to shift production overseas. The estimate also marks

the first official nod from the USDA, whose crop estimates are often used as a benchmark across global agricultural markets, to an inflection point in world cotton supply and demand.

The switch by the two top growers had been expected after Chinese farmers cut plantings amid uncertainty over the state support program and a planting frenzy in India since August after a late monsoon favored growing conditions. But shrinking local output will force China's mills to import more foreign supplies once they have eaten through inventories that have swelled to over 60 million bales. "We're at the beginning of this transition

where China will use its stocks, and in four or five



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big net importer again," said Peter Egli, director of risk management at British mer-

chant Plexus Cotton Ltd.

While China's acreage is expected by many traders and analysts to be on a long-term downward trend, farmers in India may be protected by government support programs. In its report, the USDA hiked its estimate for India by 1 million bales to 30 million 480-lb bales of cotton for the 2014/15 crop year that began on Aug. 1. That would be down from the country's estimated 2013/14 output of 31 million bales, but high enough to propel the country into top spot for the first time since USDA

records began in 1966.

China, which has been the largest producer for over 30 years, is projected to cut output for a second straight year with output of 29.5 million bales this year, down from 32 million bales last season. Output peaked at 37 million bales during the 2007/08 crop year and production has hovered near those high levels since the government in 2011 launched a stockpiling initiative that kept local prices high, drove huge demand for imports, and caused the nation's inventories to balloon. India's output meanwhile took off sharply in the early 2000s. The country surpassed the United States as the world's second-largest producer in the 2005/06 season. "It's not been a question of if India will become No. 1. It's been a question of when,"