

Cotton price forecast for the month October and November- 2021

Cotton is one of the most important fiber and cash crop of India and plays a very vital role in the industrial and agricultural economy of India. Cotton has played important role in economic development of every nation as it is key source of livelihood for many farmers. Cotton is mainly cultivated in China, India, Brazil, USA, Uzbekistan, Pakistan, Greece, Argentina etc. India is the leading country in production, consumption and export of cotton.

In year 2021-22, globally cotton area and production are projected as 33.30 million hectare and 1521.5 lakh bales (1 bale= 170 kg). India is expected to lead in production with 371 lakh bales followed by china (343 lakh bales), USA (221 lakh bales) and Brazil (160 lakh bales). In year 2020-21, globally cotton area and production were remained around 33.1 million ha and 1504.8 lakh bales. India were leading in production with 353.84 lakh bales followed by china (343 lakh bales) and USA (231 lakh bales).

As per Cotton Association of India, during 2021-22 in India, cotton occupied about 119.46 lakh hectare with expected production of 371 lakh bales. During 2020-21 in India, cotton occupied about 128.41 lakh hectare area with production of 353.84 lakh bales (1 bale= 170 kg) (Fourth Advance Estimates, Directorate of Economics and Statistics, MoA & FW, GoI, 2020-21). Among the various states, Maharashtra, Gujarat and Telangana are major cotton producers with respective acreages are 39.36, 22.56 and 20.51 lakh hectare in 2021-22.

In Gujarat, the area under cotton is reported about 22.56 lakh hectare in 2021-22 (First Advance Estimate, Directorate of Agriculture, Gujarat, 2021-22) as against 22.70 lakh hectare in 2020-21 (Fourth Advance Estimate, Directorate of Agriculture, Gujarat, 2020-21). Production is estimated to be 80.96 lakh bales in 2021-22 as against 72.70 lakh bales in 2020-21.

Cotton corporation of India has procured around 92 lakh bales during 2020-21 season and planning to procure around 30 lakh bales in 2021-22 season, it is less than previous year procurement because this season cotton prices are likely to remain above than MSP and procurement may be required during peak season if prices drops below MSP (Cotton outlook, September-2021). As per the data of Cotton Association of India, in 2017-18 total domestic demand of cotton in India was 319 lakh bales and closing stock was 28 lakh bales which remained 23.50 lakh bales and demand was 311.50 lakh bales in 2018-19. Due to COVID-19, in 2019-20 total domestic demand decreased to 250 lakh bales and closing stock remained around 107.50 lakh bales and in 2020-21 domestic demand increase to 330 lakh bales and expected closing stock were 82.50 lakh bales.

Export has increased to 77 lakh bales in 2020-2021 compared to 50 lakh bales in 2019-20. Import has decreased to 10 lakh bales in 2020-21 from 15.50 lakh bales in 2019-20. In Gujarat prices of cotton was prevailing around Rs.5400 per quintal in September 2019 that has decreased to Rs. 4434 per quintal in September 2020 due to COVID-19 lockdown in the country. In October-November 2020 prices of cotton were around Rs.4730 and Rs. 5307 respectively, which were Rs. 4749 and Rs.4700 per quintal in October-November 2019. In June 2021 price was Rs.6905, in July Rs.7435 and in August Rs. 7783 per quintal which is higher than the previous year prices.

This steep rise in cotton prices due to consumption is expected to increase by 2 percent as global economy continues to recover, high export demand from china and domestic demand in terms of mill consumption has increased (Cotton Outlook, August-2021). In 2020-21 mill consumption has increased to 288 lakh bales compared to 218 lakh bales in 2019-20. These are reasons behind increasing prices of cotton.

Considering these all and traders reviews on the same, the research team of NAHEP-CAAST, IABMI, Anand Agricultural University, Anand analyzed the previous years monthly price data of cotton collected from major markets of Gujarat state. The econometric analysis revealed that the prices of cotton during **October-November 2021** may remain in the range of **Rs. 1300 to 1400 per 20 kg. (Rs. 6500 to 7000 per quintal)**. Since there is chance that if export and demand from textile mills goes up, the cotton price may go up in future.

Note: There may be some deviation of the actual prices from the predicted prices due to new developments in the commodity markets such as change in international prices, export or import restrictions, etc. and these price forecasts are based on past market price data & different econometric models and that actual market price may not remain to be the same as forecasted.