

## **Cotton Price Forecasting for October and November- 2022**

Cotton is one of the most important fiber and cash crop of India and plays vital role in the industrial and agricultural economy of India. Cotton has played important role in economic development of the concerned 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.

Globally, area and production of cotton was 32.1 million hectare and 1539.4 lakh bales (1 bale= 170 kg), respectively during 2021-22. China was leading in production with 345 lakh bales followed by India (315 lakh bales), USA (225 lakh bales) and Brazil (169 lakh bales). During 2020-21, area and production of cotton remained around 33.1 million hectare and 1504.8 lakh bales globally, respectively. India was the highest producer with 352.48 lakh bales followed by China (343 lakh bales) and USA (231 lakh bales).

In India, cultivated area of cotton was 12.35 million hectare with a production of 315 lakh bales during 2021-22. While, it was 132.85 lakh hectare with a production of 352.48 lakh bales during 2020-21. Among the various states, Maharashtra, Gujarat and Telangana are major cotton producers with the area of 39.41, 22.45 and 18.78 lakh hectare, respectively during 2021-22. The MSP of cotton for the year 2021-22 was declared at Rs 5726 for medium staple and Rs 6025 for long staple cotton per quintal. For the year 2022-23, MSP has been declared at Rs 6080 for medium staple and Rs 6380 for long staple per quintal.

In Gujarat, the area under cotton was reported 22.45 lakh hectare during 2021-22, whereas, it was 22.70 lakh hectare during 2020-21. Production was estimated to be 75.56 lakh bales during 2021-22 and it was 72.16 lakh bales during 2020-21.

As per the Cotton Association of India, due to COVID-19, during 2019-20, total domestic demand remained around 250 lakh bales and closing stock remained around 107.50 lakh bales. The domestic demand was increased to 335 lakh bales and expected closing stock of 75 lakh bales during 2020-21, and during 2021-22, the domestic demand was around 340 lakh bales and closing stock around 40.13 lakh bales.

Government of India has removed the Agriculture Infrastructure and Development Cess (5%) and Basic Custom Duty (5%) on imports of cotton. The government has allowed duty free imports of cotton until September, 2022. Further duty-free imports will help textile mills to import cotton from

various countries. According to Gujarat Trade Association, the area under cultivation is expected to increase 2-3 per cent in coming 2022-23 season as cotton prices were higher in the 2021-22 season.

The export has decreased to 45 lakh bales during 2021-2022 as compared to 78 lakh bales during 2020-21. Whereas, import has increased to 15 lakh bales in 2021-22 from 10 lakh bales in 2020-21. In Gujarat, prices of cotton were around Rs 7094 and Rs 7872 per quintal in October and November 2021, respectively which were Rs 4730 and Rs 5307 per quintal during October and November 2020, respectively. Price of cotton per quintal was Rs 9432 during March 2022 which was increased to Rs 10824 in April and further at Rs 10870 in May 2022. These prices are higher as compared to last year due to production estimates in this year which is 11% lower than previous year's final estimates. While mill consumption is going to increase at 300 lakh bales during 2021-22 which was 292 lakh bales during 2020-21.

Considering available information on production, international as well as local markets and traders reviews on the same, the research team of NAHEP-CAAST, IABMI, Anand Agricultural University, Anand analyzed the monthly price data of 17 years of cotton collected from Rajkot market of Gujarat state. The econometric analysis revealed that the prices of cotton during **October-November 2022** may remain in the range of **Rs 7050 to 9200 per quintal (Rs 1410 to 1840 per 20 kg)**. 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 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 further, these price forecasts are based on past market price data & different econometric models. Thus, actual market price may not remain to be the same as forecasted.*