

Cotton Price Forecasting for the month October and November- 2022

Cotton is one of the most important fiber and cash crops of India and plays vital role in the industrial and agricultural economy of the country. Cotton is mainly cultivated in China, India, Brazil, USA, Uzbekistan, Pakistan, Greece, Argentina.

Globally, area and production of cotton is projected as 32.8 million hectare and 1498.43 lakh bales (1 bale= 170 kg), respectively during 2022-23. China is expected to lead in production with 352.19 lakh bales, followed by India (341.90 lakh bales), USA (167 lakh bales) and Brazil (98 lakh bales). During 2021-22, area and production of cotton remained around 32.1 million hectare and 1539.4 lakh bales, respectively and China was the highest producer with 345 lakh bales followed by India (312.03 lakh bales) and USA (225 lakh bales).

In India, cultivated area of cotton is expected to remain 125.69 lakh hectare with expected production of 341.90 lakh bales during 2022-23. It was 117.68 lakh ha with a production of 312.03 lakh bales during 2021-22. Among the various states, Maharashtra, Gujarat and Telangana are major cotton producers with the area of 42.29, 25.38 and 19.72 lakh hectare, respectively during 2022-23. 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 is 25.38 lakh hectare during 2022-23, and it was 22.45 lakh hectare during 2021-22. Production is estimated to be 91.84 lakh bales during 2022-23 and it was 73.64 lakh bales during 2021-22.

According to 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 338.16 lakh bales and closing stock was 71.84 lakh bales during 2020-21, while during 2021-22, the domestic demand remained around 315 lakh bales and closing stock was around 47.16 lakh bales.

Government of India in a notification has extended exemptions of all custom duty on raw cotton imports till 31st October 2022. Extension would benefit the textile industry to get yarn, fabric, garments on relatively lower rates. As per agriculture department of Gujarat, the area under cultivation expected to increase 13% in coming 2022-23 season as cotton prices were higher in the 2021-22 season. These all factors are likely to play vital role in stabilization of cotton prices in the coming season.

The export has decreased to 40 lakh bales in 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, price of cotton was prevailing around Rs 7094 and Rs 7872 per quintal in October and November 2021, respectively which was Rs 4730 and Rs 5307 per quintal during October and November 2020, respectively. Price of cotton per quintal was Rs 9946 during July 2022 which increased to Rs 10516 in August 2022 and remained at Rs 9729 in September 2022. These prices are higher as compared to the last year's prices and are likely to remain firm as production estimate for 2022-23 season is higher by 25% compared to the previous year. The total mill consumption remained at 285 lakh bales during 2021-22 which was 294 lakh bales during 2020-21. This less demand with millers is due to their preference to wait for the prices to drop further amidst a decline in global prices which eventually influence the cotton prices in the country.

Considering available information and traders view on the same, the research team of NAHEP-CAAST, IABMI, Anand Agricultural University, Anand analyzed the monthly price data of 18 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 1700 to 2100 per 20 kg (Rs 8500 to 10500 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 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.