

Cotton Price Forecasting for the month October and November- 2021

Cotton is one of the most important fiber and cash crops of India and plays a 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 second largest country in production, consumption and export of cotton.

During 2020-21 in India, cotton occupied about 129.47 lakh ha area with production of 365.44 lakh bales (1 bale= 170 kg) against 360.65 lakh bales with 127.09 lakh ha area in 2019-20 (Second Advance Estimates, Directorate of Economics and Statistics, MoA & FW, GoI, 2020-21).

In Gujarat, the area under cotton is reported 22.70 lakh ha in 2020-21 (Third Advance Estimate, Directorate of Agriculture, Gujarat, 2020-21) as against 26.55 lakh ha as in last year 2019-20 (Final Advance Estimate, Directorate of Agriculture, Gujarat, 2019-20). Production is estimated to be 73.98 lakh bales in 2020-21 as against 86.17 lakh bales in 2019-20.

As per the data of Cotton Association of India, in 2017-18 total domestic demand of cotton in India were 319 lakh bales and closing stock were 28 lakh bales which were remains 23.50 lakh bales and demand were 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 increased to 330 lakh bales and expected closing stock were 105.50 lakh bales.

Export has increased to 60 lakh bales in 2020-2021 compared to 50 lakh bales in 2019-20. Import has decreased to 12 lakh bales in 2020-21 from 15.50 lakh bales in 2019-20. In Gujarat price of cotton was prevailing around Rs.5771 per quintal in May 2019 that has decreased to Rs. 4568 per quintal in May 2020 due to COVID-19 lockdown in the country. In February 2021 price was Rs.5641, in March Rs.5963 and in April Rs.6132 per quintal which are higher than the previous year prices.

This price rise is because of recovery in world cotton demand as world economies have shown rebounding from COVID-19 and as per Cotton and Wool outlook May-2021, in 2021-22 world mill use is expected to increase by 3.5% compared to previous year. Cotton mill use is continuing to rebound from the disruption happened due to COVID-19. Global trade has been boosted by higher import demand from China and Bangladesh (Cotton Outlook, May-2021). These all reasons may impact positively on price of cotton in Indian markets.

Considering all these available information and traders reviews on the same, the research team of NAHEP-CAAST, IABMI, Anand Agricultural University, Anand analyzed the historical monthly price data of cotton collected from major market of Gujarat state. The econometric analysis revealed that the prices of cotton **at the time of harvest i.e. October-November 2021** may remain in the range of **990 to 1130 Rs. /20 kg. (Rs. 4950 to Rs. 5650 per quintal)**. Since there is chance that if export and demand from textile mills goes up, the cotton price may go up in future.