

## **VANAKALAM (KHARIF) 2020-21 PRE-HARVEST PRICE FORECAST OF COTTON**

### **Cotton Price per Quintal will be around Rs. 4700 - 5000 at the Time of Harvesting (November 2020 to February 2021)**

Global 2020-21 cotton area and production are projected at 32.6 million hectares (80.6 million acres) and 116.3 million bales of 217.72 kg each, which were nearly 6 and 4.5 percent less than that of 2019-20 estimates respectively. According to the Cotton and Wool Outlook, October estimates, India is the largest cotton producer in the world with 30 million bales compared to 30.50 million bales in previous year followed by China (27.25 million bales), United States (17 million bales), Brazil (12 million bales) and Pakistan (5.8 million bales).

World cotton consumption in 2020-21 is projected to increase by 12 percent this season as the global economy continues to recover from the impacts of COVID-19. At 114.2 million bales, world mill use is expected to increase by more than 12 million bales for China, India, Pakistan and Bangladesh. China, Bangladesh, and Vietnam are projected as the leading raw cotton importers in 2020-21. Global ending stocks are forecast at 101.1 million bales in 2020-21, nearly 2 percent (1.9 million bales) higher than the previous year 2019-20.

The Indian exports are likely to have continued at good pace due to the increasing yarn and garments demand in China. And producing nations like Bangladesh and Vietnam sought Indian raw material to fulfill the demand. Due to the good export parity in the current year (2019-20), exports target was raised to 50 lakh bales. Whereas, the imports in 2020-21 are likely to decline to around 10 lakh bales from 15 lakh bales in 2019-20.

The total cotton availability by the end of season in 2019-20 is estimated at 402.4 lakh bales and even higher availability is expected in 2020-21 season of around 485.75 lakh bales. Total domestic mill consumption (excluding non-mill consumption) in 2020-21 is expected to increase by 25% to 286 lakh bales in 2020-21, which had significantly declined to 230 lakh bales in 2019-20 amid the spread of corona virus. So, the decline in consumption has result in higher ending stocks of around 102.63 lakh bales in 2019-20. The ending stocks by the end of 2020-21 season would depend on the final demand and consumption which is estimated to be 118.52 lakh bales.

According to the first advance estimates, Govt. of India cotton production is estimated to be 371.2 lakh bales (of 170 kg each) i.e., higher by 16.30 lakh bales than the production of 354.91 lakh bales during 2019-20. In India, cotton area during 2020-21 was 129.46 lakh ha (319.90 lakh acres) as against 127.08 lakh ha (314.02 lakh acres) in 2019-20. Among the states, Maharashtra is leading in cotton acreage 42.25 lakh ha (104.40 lakh acres) followed by Telangana 24.37 lakh ha (60.22 lakh acres), Gujarat 22.78 lakh ha (56.29 lakh acres), Haryana 7.37 lakh ha (18.21 lakh acres) and Karnataka 6.88 lakh ha (17 lakh acres).

According to the first advance estimates, Govt. of Telangana cotton production is estimated to be 99.53 lakh bales (of 170 kg each bale) i.e., higher by 30.95 lakh bales than the production of 68.58 lakh bales during 2019-20. In Telangana, cotton area during 2020-21 was 60.22 lakh acres as against 54.45 lakh acres during 2019-20. Among the districts, Nalgonda stood first with 7.29 lakh acres followed by Nagarkurnool 4.56 lakh acres, Adilabad 4.23 lakh acres, Sangareddy 3.99 lakh acres and Asifabad 3.37 lakh acres. MSP for cotton has been increased by Rs. 275 to Rs. 5825 per quintal for marketing season 2020-21 from Rs.5550 per quintal in 2019-20.

Punjab, Haryana, Gujarat, Maharashtra, Telangana and Andhra Pradesh have been affected with heavy rainfall and expects damage of cotton crop in both quality and quantity terms. The Cotton Corporation of India (CCI) has started procuring cotton in Punjab, Haryana and Rajasthan from 1<sup>st</sup> October 2020 and In Telangana; cotton procurement may start after Dasara festival due to recent rains.

Under these circumstances, the Agricultural Market Intelligence Centre established under a research project for development of price forecasting mechanism in the Department of Agricultural Economics, College of Agriculture, Professor Jayashankar Telangana State Agricultural University, Rajendranagar, Hyderabad with the financial support of Agricultural Marketing Department, Telangana State has assessed pre-harvest price forecast of cotton for the year 2020-21. Under heavy rainfall and increased crop coverage, it is predicted that the cotton price per quintal will be around **Rs. 4700 - 5000** at the time of harvesting (November 2020 to February 2021). This price forecast is based on the monthly modal price of cotton obtained for 18 years from Warangal regulated market using econometric models like ARIMA, SARIMA, ARIMAX, ARCH and GARCH and also the market survey. Adilabad, Warangal, Bainsa, Khammam, Jammikunta and Peddapalli are the major cotton markets in Telangana.

*Note: There may be any possible deviation of the actual prices from the predicted prices in light of tentative 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 turn out to be the same as forecasted.*