

## **KHARIF 2017-18 PRE-HARVEST PRICE FORECAST OF COTTON**

### **Cotton Price per Quintal will be around Rs. 4200-4600 at the Time of Harvesting (November 2017 to February 2018)**

Cotton is an important commercial crop of India and plays a key role in the national economy. About 60 million people get employment either directly or indirectly in the agricultural and industrial sectors of cotton production, processing, textiles and related activities. It is grown in more than 100 countries accounting for 40% of the world fibre market. China, India, USA, Pakistan, Brazil, Uzbekistan, Australia, Turkey, Turkmenistan and Argentina are major cotton producing countries in the world. China, India and USA occupy 60% of the total global cotton acreage. India is the largest cultivator and producer of cotton in the world and stands at second position in consumption and export of the same. Major markets for Indian Cotton exports are Bangladesh, Pakistan, Vietnam, Indonesia, Turkey and Thailand.

The world cotton harvest during 2017-18 is estimated to be 120.9 million bales as against 106.6 million bales during 2016-17 because of nearly 20% increase in planted area in all over the major cotton growing countries. According to USDA's survey the impact of Harvey and Irma hurricanes on US cotton was restricted to a yield loss of 3% and decrease in harvest areas by 1% causing slight decline in their production and exports. Similarly, the cotton consumption forecast also increased from 113.7 million bales in 2016-17 to 118 million bales in 2017-18 because of increase in estimated mill-use in various countries. The global import forecast increased nearly 400,000 bales, from 37.8 to 38.2 million bales because of upward revisions to India from 1.3 to 1.6 million bales and Vietnam from 6.4 to 6.6 million bales. Similarly, the largest changes for exports included those for India from 4.2 to 4.6 million bales, Australia from 3.8 to 4.1 million bales, Brazil from 3.4 to 3.7 million bales, Argentina from 200,000 to 325,000 bales, and Turkmenistan from 600,000 to 450,000 bales.

As more acres are harvested in the U.S. and in other exporting countries, it could be expected that the market's attention may shift towards the large volume of cotton to be collected. Even though the production forecast was lowered for US because of hurricanes effect, its harvest currently ranks as the fifth biggest of all-time. India is projected to collect its second largest harvest on record, and so is Australia. Every one of the world's major cotton growing countries increased cotton acreage in 2017-18, and every one of the world's major exporting countries are expected to have an increase in ending stocks this crop year.

Exporters will increasingly be looking to move supplies as harvests come in, and the corresponding competition for sales in import markets could be expected to weigh on prices. There is a possibility that China could absorb some of this additional supply by increasing imports. However, even after factoring in another round of auctions next spring/summer, the USDA still expects China to have enough stocks at the end of the 2017-18 to result in a stocks-to-use ratio over 100%. With so much supply at home, uncertainty surrounds the question whether China will increase imports.

According to USDA's report, NY futures and the A Index were mostly stable near 69 cents/lb fallen from 75 cents/lb, and 79 cents/lb decreased from 85 cents/lb respectively. Similarly, the CC Index and Pakistani prices were also stable around 110 cents/lb and 69 cents/lb respectively while, Indian prices declined. Cash prices for the Indian Shankar-6 variety decreased over the past month. In international terms, values fell from 85 cents/lb to 75 cents/lb. In domestic terms, values fell from 42,200 to 38,800 INR/candy.

According to the all India crop situation report, kharif 2017-18, Ministry of Agriculture, Govt. of India, the area under cotton in the country has increased by 12% to 122.59 lakh hectares in 2017-18 from 102.79 lakh hectares in 2016-17. Among the states, during kharif 2017-18, Maharashtra (42.05 lakh ha), Gujarat (26.36 lakh ha), Telangana (19.08 lakh ha), Haryana (6.56 lakh ha), Andhra Pradesh (6.11 lakh ha), Madhya Pradesh (5.9 lakh ha), Rajasthan (5.03 lakh ha), Karnataka (4.04 lakh ha), and Punjab (3.8 lakh ha) stood as the major cotton growing states. The government has forecasted cotton output as 322.73 lakh bales during the current year because rise in acreage associated with good monsoon.

In addition, Indian cotton trade also estimates the output to be higher, by 10-15 per cent, for 2017-18 over last year's output even after crop damage due to floods in Gujarat, the largest cotton producing state. India is expected to remain the world's largest producer in 2017-18 with output rising by 6 percent to 6.1 mt. On the consumption front, ICAC has predicted that for India is likely to increase by 2 percent to 5.3 mt in 2017-18. India's exports are forecast to rise by 2 percent to 930,000 tonnes.

In Telangana, cotton is a major kharif crop covering maximum acreage. According to the Season and crop coverage report, Kharif – 2017, Department of Agriculture, Govt. of Telangana the area under cotton was 19.09 lakh hectares during 2017-18 as against 12.4 lakh hectares in 2016-17. Nalgonda, Adilabad, Nagarkarnool, Khammam, Asifabad, Siddipet, Sangareddy, Mahabubnagar and Warangal are the major cotton growing districts.

Cotton arrivals are slow due to continuous rains in Telangana, which is seen affecting the quality of the fibre. The cotton that's arriving in the markets has higher moisture of over 10-12 per cent, while the acceptable moisture level is below 8 per cent. But all mills are buying cotton with higher moisture content at low prices. Prices of old cotton crop are hovering at around Rs.4800 to 5500 per quintal for raw cotton, while fresh cotton, due to its higher moisture content, quoted lower in the range of Rs.2,500-3100 per quintal.

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 of cotton for kharif 2017-18. Under increased acreage and favorable monsoon, it is predicted that the cotton price per quintal will be around **Rs. 4200 - 4600** at the time of harvesting (Nov 2017 to Feb 2018). This price forecast is based on the monthly modal price of cotton obtained for 16 years from Warangal regulated market using econometric models like ARIMA, SARIMA, ARCH, GARCH and

ANN and also the market survey. Warangal, Adilabad, 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.*