

Cotton price likely to remain firm, store and sell after January, 2017

For the second consecutive year, India will become the largest cotton producer country in the world, surpassing the China. Although, the reduction in cotton acreage from 119 lakh ha in 2015-16 to 105 lakh ha in current year of 2016-17 in India, the production is estimated to about 321 lakh bales in 2016-17 (First Advance Estimate dt. 22-9-2016), as against 301.5 lakh bales in previous year. This is mainly due the normal and well-distributed monsoon in major producing states *viz.*, Gujarat, Maharashtra, Andhra Pradesh and Karnataka.

In Gujarat the cotton acreage is estimated to decline about 23.82 lakh ha in current year of 2016-17, as against 27.19 lakh ha in previous year. The production is expected almost same as last year about 91 lakh bales having evenly distributed normal rainfall and good precipitation received in first week of October, 2016 brighten the yield prospects in un-irrigated areas too.

As reported by ICAC, the World cotton area is projected to fall 1 per cent in 2016-17, but production is expected to increase by 7 per cent to 1325 lakh bales as against 1241 lakh bales in last year. China's cotton production is projected down 4 per cent to 270 lakh bales in 2016-17, whereas, the world cotton consumption is expected to remain unchanged from 2015-16 level at 1400 lakh bales, but is projected to exceed production by 76 lakh bales. As a result, world ending stocks are projected to decline by 7 per cent to 1064 lakh bales. Hence, cotton lint price at world level is expected to go up marginally over last year.

The last year's ending stock in India is almost negligible and in current year the cotton production and consumption are expected almost same, around 320 lakh bales. Hence, if export demand remains at least around 50 per cent, as against last year's export of about 70 lakh bales, the price is expected to improve marginally. Last year due to less cotton production and expected export, the *Kapas* price which was prevailing about Rs. 860 per 20 kg in November, 2015, increased to around Rs. 920 per 20 kg in March, 2016 and further to about Rs. 1180 per 20 kg in August, 2016. Currently in Gujarat, *Kapas* price is ruling around Rs. 950 per 20 kg in various markets is expected to remain firm with slight ups and downs during peak harvesting season and may improve slightly than after. The Government has fixed MSP Rs. 832 per 20 kg (Rs. 4160 per quintal) for the current year of 2016-17.

Considering these all and reviewing the traders' reports, cotton production and use, ending stock and price trend, the research team of Department of Agricultural Economics, JAU, Junagadh, analysed the historical monthly price data of cotton collected from Gondal APMC. The econometric analysis of cotton prices revealed that **the prices of cotton during November, 2016 to February, 2017 may remain in the range of Rs. 920 to 1020 per 20 kg (4600 – 5100 Rs/qtl)**. Hence, farmers are suggested to take their own decision to store cotton and sell after January, 2017.

Since there is some chance that the cotton prices to increase in near future, if expected export level is maintained by improving our export in neighboring countries *viz.*, Bangladesh, Indonesia, Vietnam *etc.*