

## COTTON OUTLOOK REPORT – January to May 2021

Cotton is one of the most important fiber and a cash crop of India and plays a dominant role in the industrial and agricultural economy of the country. Worldwide area under cotton for the year 2020-21 was 31.66 million hectares and production and productivity accounted for 113.11 million bales and 778 kg/hectare respectively. India has emerged as the largest producer of Cotton in the world and occupies the first position in terms of total area and production. Among the major Cotton exporting countries in the world, India occupied 3<sup>rd</sup> position with 5.5 million bales (USA–16.25 million bales and Brazil –10.70 million bales) (USDA, 2020-21).

In India during 2020-21 (provisional), production of Cotton was 371.00 lakh bales cultivated under an area of 129.57 lakh hectares with a productivity of 487 kg per hectare (Cotton Corporation of India). According to 3<sup>rd</sup> advance estimates 2020-21, Cotton cultivation in Andhra Pradesh was 19 lakh bales cultivated under area of 6.06 lakh hectares with a productivity of 536 kg per hectare. (DES-AP). In India, there are nine major Cotton growing states which fall under three zones viz. the North Zone (Punjab, Haryana and Rajasthan), the Central Zone (Maharashtra, Madhya Pradesh and Gujarat), and the Southern Zone (Andhra Pradesh, Karnataka and Tamil Nadu). Nearly 65 per cent of the Cotton crop is cultivated under rainfed conditions in the country. Nearly 2/3<sup>rd</sup> of the Cotton production in India comes from the states of Maharashtra, Gujarat, Andhra Pradesh, and Telangana collectively known as Cotton Basket of India.

**Table 1: Balance sheet for the year 2015-16 to 2019-20 (in lakh bales)**

Particulars	2016-17	2017-18	2018-19	2019-20 (P)	2020-21 (P)
<b>Supply</b>					
<b>Opening Stock</b>	36.44	43.76	42.91	56.52	120.95
<b>Production</b>	345.00	370.00	333.00	365.00	371.00
<b>Import</b>	30.94	15.80	35.37	15.50	11.00
<b>Total Supply</b>	<b>412.38</b>	<b>429.56</b>	<b>411.28</b>	<b>437.02</b>	<b>502.95</b>
<b>Demand</b>					
<b>Mill Consumption</b>	262.70	280.11	270.78	233.70	286.00
<b>Consumption By SSI</b>	26.21	26.18	22.43	20.33	26.00
<b>Non-Mill Consumption</b>	21.50	12.77	18.00	15.00	18.00
<b>Exports</b>	58.21	67.59	43.55	47.04	75.00
<b>Total Demand</b>	<b>368.62</b>	<b>386.65</b>	<b>354.76</b>	<b>316.07</b>	<b>405.00</b>
<b>Ending Stock</b>	<b>43.76</b>	<b>42.91</b>	<b>56.52</b>	<b>120.95</b>	<b>97.95</b>

*Source: Cotton Association of India (2019-20 to 2020-21) Bale -170 kg. (P)- Provisional*

Balance sheet of cotton is compiled in Table 1 which explains the balance sheet of Cotton from 2016-17 to 2020-21. The demand of cotton has increased in 2020-21 when

compared with 2016-17 and exports increased from 58.21 lakh bales in 2016-17 to 75 lakh bales in 2020-21.

**Table 2: Cotton Exports and Imports of India**

Year	Exports		Imports	
	Quantity in lakh bales of 170 Kgs	Value in Rs. Crores	Quantity in lakh bales of 170 Kgs	Value in Rs. Crores
2006-07	58.00	5267.08	5.53	752.29
2007-08	88.50	8365.98	6.38	978.54
2008-09	35.00	3837.13	10.00	1377.80
2009-10	83.00	10270.21	6.00	1195.64
2010-11	76.50	14483.31	2.38	1709.11
2011-12	129.57	23488.59	7.51	1059.20
2012-13	101.43	17462.87	14.59	2057.77
2013-14	116.96	23153.24	11.51	2746.16
2014-15	57.72	9499.87	14.39	2848.50
2015-16	69.07	11434.80	22.79	4230.00
2016-17	58.21	11676.00	30.94	7268.00
2017-18	67.59	13976.71	15.80	4224.84
2018-19	43.54	9502.72	35.37	8339.26
2019-20(P)	47.04	8731.32	15.50	3588.38
2020-21(P)	75.00	NA	11.00	NA
<b>AVERAGE</b>	<b>73.81</b>	<b>12224.99</b>	<b>13.98</b>	<b>3026.82</b>
<b>CAGR (%)</b>	<b>-1.55***</b>	<b>3.78***</b>	<b>11.40***</b>	<b>17.76***</b>

Source: Cotton Corporation of India. NA: Not Available \*\*\* - Significant at 1 per cent levels (P): Provisional

From table 2 it is observed that the average exports of Cotton by India are 73.81 lakh bales from 2006-07 to 2020-21 whereas the average imports in India are 13.98 lakh bales. The compound growth rate of exports showed a negative and significant growth rate of -1.55 per cent whereas imports in India showed a positive and significant growth rate of 11.40 per cent. The average value of exports is more than imports of Cotton as usual.

Consumption of Cotton by SSI and Non-SSI mills is explained in table 3. It is shown that the consumption of Cotton by SSI mills increased with 4.20 per cent compared with non-SSI mills whose growth rate over the years was 3.95 per cent. Consumption of Cotton by organized sector textile mills has increased from 149.36 lakh bales in 2000-01 to 286.00 lakh bales in 2020-21. Consumption of Cotton by SSI mills has increased from 10.97 lakh bales in 2000-01 to 26.00 lakh bales in 2020-21.

**Table3: Cotton Consumption by Organized sector Textile mills (Non-SSI Mills) and Small-Scale Spinning Mills (SSI) Units**

Year	Non-SSI mills		SSI mills	
	Average Consumption (Quantity in lakh bales)			
	Cotton Consumption	Monthly Consumption	Cotton Consumption	Monthly Consumption
2000-01	149.36	12.45	10.97	0.91
2001-02	147.00	12.25	11.70	0.98
2002-03	142.42	11.87	11.63	0.97
2003-04	150.39	12.53	13.00	1.08
2004-05	163.98	13.67	16.57	1.58
2005-06	180.00	15.00	19.00	1.67
2006-07	194.89	16.24	21.26	1.32
2007-08	195.67	16.31	22.08	1.59
2008-09	190.00	15.83	20.00	1.58
2009-10	219.00	18.25	23.00	1.92
2010-11	221.77	18.48	24.46	2.04
2011-12	223.59	18.63	22.12	1.84
2012-13	251.74	20.97	23.59	1.97
2013-14	268.03	22.34	25.20	2.10
2014-15	278.06	23.17	26.38	2.20
2015-16	270.20	22.50	27.08	2.26
2016-17	262.70	22.00	26.21	2.18
2017-18	280.11	23.33	26.18	2.18
2018-19	270.78	22.57	22.43	1.87
2019-20(P)	288.00	24.00	25.00	2.08
2020-21(P)	286.00	23.83	26.00	2.17
<b>CAGR (%)</b>	<b>3.95**</b>	<b>3.96**</b>	<b>4.20**</b>	<b>4.29**</b>

Source: Cotton Advisory Board, 2020. (P): Provisional \*\*-Significant at 5 per cent level

**Table 4: State-wise Cotton Purchases by Cotton Corporation of India (CCI) for 2019-20**  
(Quantity in '000 bales)

States	MSP	Commercial	Total
Punjab	141.72	2.10	143.82
Haryana	147.48	0.40	147.88
Rajasthan	120.88	1.10	121.98
Gujarat	174.43	0.00	174.43
Maharashtra	463.26	0.90	464.16
Madhya Pradesh	75.88	0.80	76.68
Andhra Pradesh	70.65	0.00	70.65
Karnataka	85.61	0.10	85.71
West Bengal	0.00	0.00	0.00
Odisha	39.63	0.00	39.63
Telangana	1697.03	0.00	1697.03
<b>Total</b>	<b>3016.57</b>	<b>5.40</b>	<b>3021.97</b>

Source: Agricultural statistics at a glance 2019.

Cotton corporation of India procures the cotton from the farmers at MSP by arranging infrastructure in the form of regular procurement centres as well as satellite centres so that farmers are not compelled to travel long distances for selling their kapasproduce. Besides MSP operations, to fulfill the raw material requirement of the domestic textile industry, CCI also undertakes viable commercial purchase operations as and when required. The main aim of these operations is to meet at least the annual cost of the minimum infrastructure maintained by the Corporation for Price Support operations. Table 4 shows that in the year 2019-20 CCI procured 3021.97 thousand bales of cotton from all over India in which 3016.57 thousand bales at MSP and 5.40 thousand bales at commercial price. Procurement of cotton was highest in Telangana, Maharashtra, Gujarat, Haryana, Punjab and Rajasthan.

**Table 5: Comparison of area, production of Cotton with respect to bifurcation of Andhra Pradesh and Telangana states**

Year	Before Bifurcation				Year	After Bifurcation			
	Area (lakh ha)		Production (lakh bales)			Area (lakh ha)		Production (lakh bales)	
	India	AP	India	AP		India	AP	India	AP
2010-11	112.4	17.76	330.0	38.90	2015-16	122.9	6.66	332.0	18.17
					2020-21*	129.6	6.06	371.0	19.10

Source: Agricultural statistics at a glance, Cotton Corporation of India. \*- Recent Advance Estimates

**Table 6: Inter-District Comparison of Andhra Pradesh for Cotton crop (2019-20)**

Major Districts	Area (in '000 ha)	Rank in Area	Production (in lakh bales)	Rank in Production
Kurnool	275	1	9.04	2
Guntur	182	2	9.86	1
Anantapur	52	3	0.91	5
Krishna	48	4	2.22	3
Prakasam	46	5	1.34	4
<b>Total of 5 districts</b>	<b>603</b>		<b>23.37</b>	
<b>Other Districts</b>	<b>53</b>		<b>1.71</b>	
<b>Andhra Pradesh</b>	<b>656</b>		<b>25.08</b>	
<b>Share (%) of 5 districts</b>	<b>91.92</b>		<b>93.18</b>	

Source: Agricultural statistics at a glance of Andhra Pradesh, 2019.

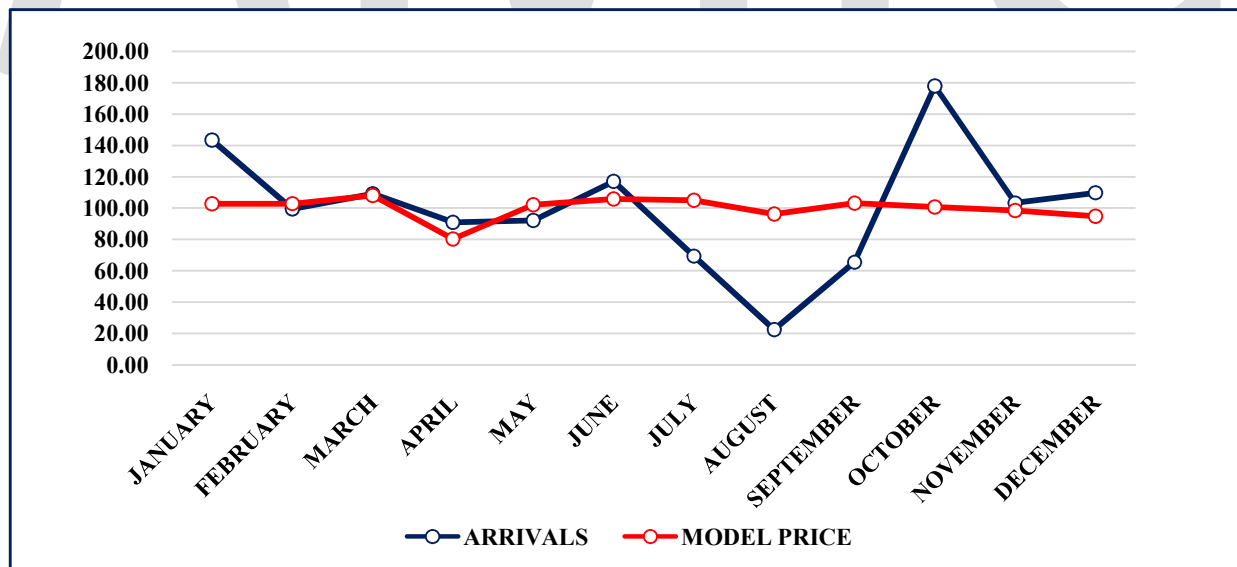
The detail of comparison of Cotton production and area between India and Andhra Pradesh is presented in Table 5. It is seen from the table that in 2010-11 to 2020-21, the area has declined from 17.76 to 60.6 lakh hectares while the production has declined from 38.90 to 9.10 lakh bales.

**Table 7: Seasonal Indices of Cotton in AdoniMarket (2015-2020)**

Months	Arrivals	Price
January	143.41	102.66
February	99.49	102.83
March	109.08	108.05
April	90.84	80.28
May	92.09	102.14
June	116.95	105.77
July	69.35	104.99
August	22.44	96.25
September	65.45	103.19
October	177.89	100.67
November	103.26	98.37
December	109.74	94.82

Source: Data obtained from Adoni AMC

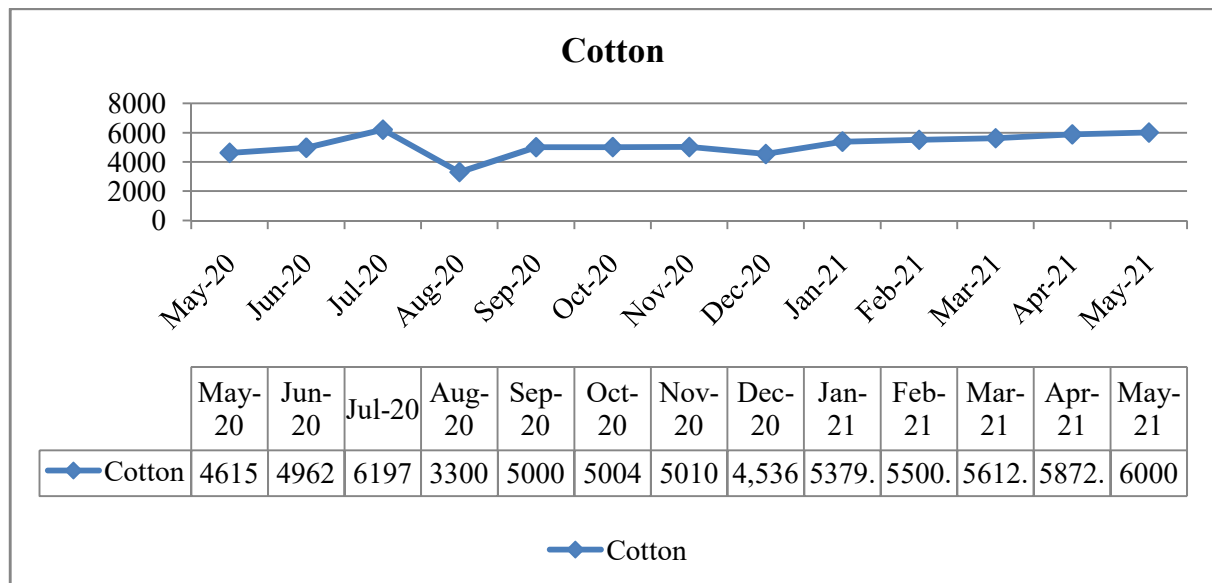
Inter-district comparison of Andhra Pradesh for Cotton crop (2018-19) is explained in Table 6. It shows that Kurnool ranks first in the area whereas Guntur district tops highest in production. Anantapur district ranks third in area and fifth in production. Among 13 districts of Andhra Pradesh state, five districts namely Kurnool, Guntur, Anantapur, Krishna and Prakasam cover 91.92% of area under Cotton acreage and 93.18% Cotton production is contributed by these five districts.

**Figure 1: Trends in Arrivals and Prices of Cotton in Adoni**

The results in Table 7 indicate that the maximum arrival indices in the Adoni market were observed in October (177.89 %) followed by January (143.41 %) and June (116.95 %). Minimum arrival indices were observed in August (22.44 %) followed by September (65.45%). Maximum price indices were observed in March (108.05 %) followed by June

(105.77 %) and February (103.78 %). Minimum price indices were observed in April (80.28 %) followed by December (94.82 %). The results are depicted in Figure 1.

**Figure 2: Average monthly prices of Cotton in Adoni market**



Source: Data obtained from Adoni AMC

Cotton prices increase after cyclonic rains in Guntur district of Andhra Pradesh. Due to floods and cyclones in September and October months, the demand for good quality cotton has increased in the Guntur market. The exporters and traders offered better prices for cotton in the open market. With increase in prices in the open market, farmers have now started selling their cotton stock in the open market. The average monthly prices of cotton in Adoni market is depicted in Figure 2.

In March 2021 import duty was imposed on Cotton to support farmers. The government has imposed 10 percent import duty on cotton in India to support the farmers, earlier there was no import duty on cotton. The tax comprises a basic customs duty of 5 percent and an additional 5 percent levy to finance the development of agricultural infrastructure in the country, the levy on overseas purchases will potentially support the local prices amid higher domestic production and prevent distress sales by the growers. Cotton prices increased in Guntur market. In the open market the cotton was sold at prices ranging between Rs. 5,600- Rs. 6,000 per quintal due to increased demand caused by the reduced production, as a result prices increased in the market in April month. The Cotton Corporation of India has fixed Rs. 5,825 per quintal for quality cotton earlier. As the demand is increasing the traders are offering better price than the CCI and are purchasing cotton from farmers.

Cotton Corporation of India has introduced lock - in period for prices to ensure price security for textile mills. Textile mills can buy cotton in multiples of 100 bales through e-

auctions and lock-in the cotton price for 30 days without any charge, or for 60 days from the date of contract by an additional payment of Rs.250 per bale, or for 90 days by an additional payment of Rs.500 per bale.

In April 2021 cotton exports from India faced quality issues though CCI had denied the issue and was strict in ensuring that the cotton it procured adhered to the FAQ norms and is of good quality particularly because of unseasonal rains during October and November 2020.

Under these circumstances, the AMIC, ANGRAU forecasts price around Rs. 5200-5400 for cotton in the coming months of 2021.

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AMIC