

## **An Overview of Economic and Production Characteristics for Cotton Production**

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**ABSTRACT:** *Issues that generally plague the cotton production are those related to the level of technology and modernization. These issues generally lead to larger problems that make the successful commercialization of cotton as a cash crop difficult. Consequently for the majority, cotton agriculture is stuck at the subsistence level. However, this is being addressed by the Technology Mission on which continuously aims at improving the quality and productivity of cotton. The Mission focusing on research and development on cotton, dissemination of technology to the farmers, improvement of marketing infrastructure and modernization of ginning and pressing sector.*

*The present paper discusses an overview of economics and production characteristics for cotton production in the world in general and of the country in particular.*

**Keywords:** *Ginning, Economics, Production Characteristics.*

### **I. INTRODUCTION**

#### **Present scenario: India**

##### **Monsoon and area covered under cotton**

Cotton, being the kharif crop, its sowing starts in India with the onset of southwest monsoon. The monsoon hit the Indian mainland in the last week of May, almost one-week prior to normal date of onset i.e., 1<sup>st</sup> June. The initial rains were very good in south India but the northern states experienced delayed rains. Aided by early arrival of monsoon in the first week of June, the kharif sowing operations in southern part of the country began on a positive note. Even as monsoon trends remain weak in most parts of the country in the first week of June, the sowing of cotton had reached the level of 12.48 lakh hectares compared to 10.83 lakh hectares area of corresponding period in the last year.

Despite the scanty rainfall across the northern states like Punjab, Haryana, and Gujarat in the month of August, the sowing condition was very good. According to latest Weather Watch Report released by Union Ministry of Agriculture, till the end of August, area brought under cotton cultivation was 96.21 lakh hectares, with an increase of 13.37% as compared to the same period a year ago.

The cotton Association of India has projected a rise in the total cotton output in the country at 312.25 lakh bales (1 bale=170 kg) during the current 2009-10 seasons, up from 290 lakh bales in cotton year 2008-09.

The North Zone comprising Punjab, Haryana, upper and lower Rajasthan is expected to produce 43 lakh bales (38.25 lakh bales) whereas output in the Central Zone consisting of Gujarat, Maharashtra and Madhya Pradesh is seen up at 189 lakh bales (171.75 lakh bales) and in Gujarat earlier was expected to cross 100 lakh bales, but due to scanty rainfalls this season the production is expected to decline by about 20 to 30 % of earlier estimation.

According to the Cotton Association of India, besides imports and production, the demand will be met by a stock of 67.75 lakh bales carried from this season. The association estimates total cotton supply in the country at 38.65 million bales and consumption at 25 million bales.

#### **World cotton scenario for 2009-10**

**Production:** According to USDA, world cotton production in 2009-10 is expected to fall for the fourth consecutive year to 105.1 million bales, down 1.5% from the previous year. Global cotton area is estimated to decline by 1% from the previous year at 30.3 million hectare. Although global economic prospects are beginning to improve, production in 2009-10 is expected to decline, partly due to the aftermath effect of global economic crisis and also because of shift in cultivation to more profitable alternative crops, especially food grains.

But, according to International Cotton Advisory Board, the world's cotton crop in 2009-10 will marginally lower than previous year, while consumption and trade will be higher. As the world economy gradually stabilizes and economic prospects for 2009-10 improve in most of the world, global cotton mill use is

expected to recover by a small amount to 23.6 million tonnes, after declining significantly in 2008-09. A major drop in production is expected in the US and smaller declines are expected in China, Brazil, Egypt, Turkey and Central Asia. On the other hand, production increases are projected for India, Australia, Pakistan and African zone.

**Consumption:** Global cotton consumption in 2009-10 is estimated at 122.7 million bales, an increase of 2% from the previous year. As the world economic indicators are recovering gradually, the global mill use is expected to rebound. China is expected to use 46.3 million bales in 2009-10, up 2% from the previous year. India and Pakistan are expected to consume 18.5 million bales and 12 million bales, with an increase of 3% and 4 % from the previous year.

**Exports:** Global cotton exports are estimated at 32 million bales in 2009-10, up 8% from a year earlier. Exports are expected to decline in US and Brazil, but the overall trade is expected to rebound in 2009-10 due to offsetting increases in India, Uzbekistan and Australia. India is expected to export 6.1 million bales of cotton in 2009-10, more than double the volume exported previous year.

**Imports:** Cotton imports are expected to rise across the world in major importing countries. In 2009-10, Chinese imports are estimated at 8 million bales, up 14% from last year. While the Pakistan's imports are estimated to increase 36% to 3 million bales and Bangladeshi imports are estimated at 3.1 million bales, up 3% from previous year.

After a sharp decline during the beginning of the decade due to rapid expansion of the domestic cotton industry, the Indian imports got a major boost after the Indian government abolished the duty on cotton imports in 2008, and the total imports during the same year were recorded at 130,000 tons. India mainly imports Extra Long Staple from countries like US, Egypt and West Africa.

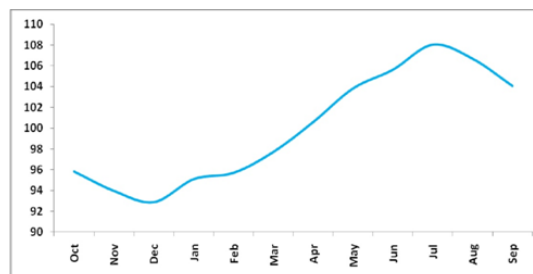
**Stocks:** According to the latest U.S. Department of Agriculture (USDA) projections for 2009-10, the world cotton stocks are expected to decline for the third consecutive season. Global ending stocks are currently forecast at 56.3 million bales for 2009-10, 5.2 million bales (8.5 percent) below 2008-09 and the lowest since 2003-04 48.1 million bales. Meanwhile, stocks in India, which is the second largest producer and consumer are forecast only marginally lower and will likely play a key role in the global trade of raw cotton in 2009/10.

#### **Price analysis**

The cotton prices are mainly driven by output and export demand. Cotton prices have shown a volatile movement during entire decade. The highest price was recorded in the year 2003-04, due to decline in imports and stagnant output during 2002-03 and 2003-04. While the biggest crash was seen in the next year itself, i.e. 2004-05 following increase in output.

#### **Cotton seasonality index**

Seasonal indices method has been adopted to find out seasonality of Cotton prices in India. The monthly average auction price from 1990-91 to 2008-09 has been collected from spot market. Seasonal Indices were calculated by averaging monthly average prices and correcting the total to 1200. Correcting the sum to 1200 will be done to give equal weight age to each month. After getting correction factor by dividing 1200 by the sum of average, this correction factor will be multiplied with monthly average price to get adjusted Seasonal Indices.



The seasonality index for domestic cotton lint prices from 1990-91 to 2008-09, indicates smooth movement of prices. Like other commodities, cotton also shows a seasonality pattern in the price movement. As shown in the above figure, the cotton prices traded lower during the early arrival season., i.e., from October to December and started rising after January. The seasonality index remained below 100 units till March and started increasing only after mid April till August , which is the peak arrival season for cotton in indian domestic markets and it has reached its highest at 108 units in the month of August.

#### **Price outlook for domestic cotton for 2009-10 season.**

The raw cotton (kapas) price of the popular variety shanksr 6 is quoting in the range of Rs 21000 to 21600 per candy. The cotton prices are expected to reach Rs 23500 to 24000 per candy during next 2- 3 months and may decline during the peak arrival season which starts from November and extends till February. During lean arrival period i.e., between March and May, prices may touch Rs 28000 per candy.

Since, the crop is still in the field, the crop scenario is still uncertain and the weather could still impact the productivity. But in the immediate term, kapas is bullish. The change in the production estimates from 315 lakh bales to around 290 lakh bales has triggered the prices as of now, while the crop in major producing states like Gujrath and Maharashtra has been damaged to certain extent due to scanty rainfall in gujrat and pest and disease attack in Maharashtra and heavy unprecedented rains in Andhra Pradesh and Karnataka has badly hurt the prospects of the cotton crop. Since Gujrath, Maharashtra, Karnataka and Anhra pradesh are the major producers which contributes more than 70 percent to the total output, further damage of crop will scale down the total output in the country to a large extent and fuel the prices to reach Rs 23500 to 24000 in near future ( 2-3 months).

Also most of the stocks with government agencies are not of very good quality and as the world cotton crop is expected to be the lowest in recent years and China is expected to import higher than the last year, thus the exports are expected to be more than double compared to last year and these estimates also serves as a major factor to support the bullish trend as of now

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