Weekly Publication of
Cotton Association of India
COTTON STATISTICS & NEWS
Edited & Published by Amar Singh
2021-22 • No. 12 • 22nd June, 2021 Published every Tuesday
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Impact of Covid Pandemic on Cotton Scenario in India

EXPERT's Column

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The global COVID-19 pandemic and the resulting lockdown during April 2020 and its step-by-step relaxation have impacted cotton production and marketing in the country. Similarly, the lockdown in other important cotton producing and consuming countries have also impacted Indian cotton scenario at various levels. The global cotton supply chain was under a shadow of uncertainty. The direct impact can be understood by comparing the scenario during 2018-19 with the scenario of 2019-20 and 2020-21.

Area and Production

Cotton area during 2018-19 was about 126 lakh ha and it increased to 134.77 lakh ha during 2019-20. This was despite low international cotton prices and high unused stalks at the end of 2018-19. This increase was observed in all the three cotton growing zones. Main reasons for this increase were better price situation, timely availability of seeds despite the pandemic and timely onset as well as progress of monsoon.

Though the pandemic started in October 2019 and the lockdown was imposed in India in March 2020, its effect was seen here only by the beginning of 2021. About 70 percent of the cotton produce was already marketed by the farmers before the imposition of the lockdown. Cotton farmers faced difficulties in selling their produce during the lockdown period. As the lockdown was relaxed after one month and the movement of agricultural produce was exempted from lockdown, markets were slowly reopened and the farmers started to bring the remaining produce to the markets.

The Cotton Corporation of India (CCI) also played a pivotal role in the procurement of cotton during the pandemic period and procured a record amount of 104 lakh bales of cotton valued at Rs. 28,000 crore and helped the farmers at the time of crisis.

Thanks to all these measures, cotton farmers were able to market the produce with little difficulty. Cotton area decreased only marginally in 2020-21 and settled at 133.41 lakh (Table 1). Measures taken by the Government to ensure the timely supply and availability of inputs like seeds and fertilizers during the lockdown, was another laudable feature that helped farmers and further prevented the fall in cotton area. This clearly indicates that the Covid pandemic did not have much effect on cotton area and production in India.

Late season rains, extended crop duration, pink boll worm and boll rot in the states of Maharashtra, Gujarat and Telangana are likely to reduce the production figures to 360 lakh bales (Table 1)

Cotton Prices

The price scenario of raw cotton was very encouraging during 2018-19 (Table 2). The price remained above Rs. 5000/q during the entire season. This encouraged farmers to increase the cotton area during 2019-20. The price scenario at the beginning of the marketing year 2019-20 was also good at Rs. 5070/q.

The slowdown in the international markets due to the Covid outbreak in China and as well as increased production in the country, caused the prices to fall in the domestic markets. Average price recorded during November 2019 was Rs. 4984/q. As the prices fell below MSP, the Cotton Corporation of India (CCI) started MSP operations and began purchasing cotton from farmers, due to which the cotton prices remained above Rs. 5000/q. As the pandemic spread to the rest of the world, and many other countries imposed lockdowns, the demand for cotton fell drastically, reflecting on the prices. Seed

Table 1 Area and Production of Cotton in India during 2018-19, 2019-20 and 2020-21

Name of the state	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
APY	Area (lakh ha)	Area (lakh ha)	Area (lakh ha)	Production (lakh bales)	Production (lakh bales)	Production (lakh bales)
Punjab	2.68	2.48	5.01	8.50	9.50	11.00
Haryana	7.08	7.23	7.22	23.00	26.50	22.50
Rajasthan	6.29	7.60	8.08	27.50	29.00	32.00
Northern Zone	16.05	17.31	20.31	59.00	65.00	65.50
Gujarat	26.60	26.55	22.79	90.00	89.00	90.00
Maharashtra	42.18	44.91	42.86	76.00	87.00	84.00
Madhya Pradesh	6.14	6.50	5.89	23.00	20.00	18.00
Central Zone	74.92	77.96	71.54	189.00	196.00	192.00
Telangana	18.39	21.27	24.51	42.00	54.00	51.00
Andhra Pradesh	6.20	6.57	6.06	15.00	18.00	17.00
Karnataka	7.18	8.17	7.65	16.00	20.00	22.00
Tamil Nadu	1.33	1.70	1.55	6.00	6.00	6.00
Southern Zone	33.10	37.71	39.77	79.00	98.00	96.00
Orissa	1.57	1.70	1.71	4.00	4.00	4.50
Others	0.50	0.09	0.08	2.00	2.00	2.00
Total	126.14	134.77	133.41	333.00	365.00	360.00

Source: Office of the Textiles Commissioner, GoI, (http://www.txcindia.gov.in/)

Table 2 Seed Cotton Prices during 2018-19, 2019-20 and 2020-21

Month/Year	2018-19	2019-20	2020-21
October	5513	5070	4949
November	5430	4984	5341
December	5412	5116	5432
January	5358	5234	5582
February	5261	5086	5667
March	5502	4981	5949
April	5913	4720	5770
May	5526	4759	5674
June	5892	4454	
July	5759	4553	
August	5551	4648	
September	5234	4611	

Source: Directorate of Marketing & Inspection (DMI),Ministry of Agriculture and Farmers Welfare,Government of India (https://agmarknet.gov.in/PriceTrends/SA_Pri_Month.aspx)

cotton prices started decreasing in the domestic markets by March 2020 and the trend persisted till the end of the season.

The prices during the beginning of the season 2020-21 was below Rs. 5000/q mark. During this season also, CCI played a stellar role in procuring cotton, which gave a tremendous boost to farmers. As the lockdown was relaxed step by step and the spinning and weaving industry started operations, the demand for cotton also picked up. As a result, cotton prices started rising and by the end of March 2021 crossed the MSP in many markets.

During the second wave, as there was no centralised lockdown, a part of the industry continued to function but at a slow pace. As a result, though cotton prices decreased, it was not like in the first wave. Seed cotton prices had decreased to Rs. 5674/q by the end of May 2021.

Cotton Consumption

Though the impact of pandemic on cotton area and production was not significant, it affected cotton consumption in a big way. Due to the lockdown and movement of the migrant workforce to their native villages, the processing industry was brought to a standstill. Although it began functioning, after lifting of the lockdown, it was a very slow start.

Mill consumption decreased to 233.7 lakh bales during 2019-20 from 270.78 lakh bales of previous year (Table 3). Similarly, S.S.I consumption and Non Textile consumption also showed a decrease. Thus, the total consumption got reduced by 42 lakh bales during 2019-20. This decreased consumption and increased crop size resulted in increasing the closing stock to 120.79 lakh bales. Consumption did not recover to its full extent during the 2020-21 season and it was expected to be about 300 lakh bales only.

Cotton Balance Sheet during 2018-19, 2019-20 and 2020-21

(In lakh bales of 170 kg. each)

Particulars	2018-19	2019-2020	2020-2021
Supply			
Opening Stock	42.91	56.52	120.79
Crop	333.00	365.00	360.00
Import	35.37	15.50	11.00
Total Supply	**411.28**	**437.02**	**491.79**
Demand			
Mill Consumption	270.78	233.70	266.00
S.S.I Consumption	22.43	20.49	22.00
Non Textile Consumption	18.00	15.00	15.00
Export	43.55	47.04	70.00
Total Demand	**354.76**	**316.23**	**373.00**
Closing Stock.	**56.52**	**120.79**	**118.79**

Source: Office of the Textiles Commissioner, GoI, (http://www.txcindia.gov.in/)

Compared to the other commodities, the impact of the Covid pandemic in India on cotton was minimal. It is expected that after the second wave, the mill activity will pick up pace and the cotton sector will bounce back. An area of 130 lakh hectares is expected to be put under cotton during 2021-22 season too.

Acknowledgement

Our heartfelt thanks to Dr. M. Venugopalan, Head, PME unit and Principal scientist of ICAR-Central Institute for Cotton Research, Nagpur for all the help extended by him in preparing this article.

(The views expressed in this column are of the author and not that of Cotton Association of India)
