



## RESEARCH PAPER

# Price integration analysis of major cotton domestic markets in India

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**Abstract :** The present study examines the performance of major cotton domestic markets viz., Andhra Pradesh (Khammam), Gujarat (Gondal), Karnataka (Raichur), Maharashtra (Akola) and Tamil Nadu (Konganapuram) of India using monthly wholesale prices of cotton in terms of market integration by using co-integration test and Johansen multivariate co-integration test. Unit root test indicated that the price series in each location are non-stationary at their levels, and stationary at their first differences. Co-integration results showed that the regional markets have price linkages and thus, these markets are spatially integrated. The findings revealed that bidirectional relationships exist within domestic markets which indicated the price transmission happening in short run adjustments and the presence of long run equilibrium existed among the cotton markets in Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu. In case of Tamil Nadu cotton market, the speed of adjustment towards equilibrium was almost 0.34 per cent and Karnataka market was the key determinant of shocks in the cotton market of Tamil Nadu. Overall, the results imply effective price transmission mechanism in the domestic markets and any further boost to the existing infrastructure will help in improving both producer's and consumer's surpluses.

**Key Words :** Cotton, Time series, Spatial market integration, Price transmission

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