

Euro zone crisis may hit sugar, cotton exports

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INDIA'S export of key farm items like sugar, cotton and wheat might get affected as the global commodity prices could fall by 15-20 pc due to deepening of euro zone debt crisis, a top government official said.

"Commodity prices were booming globally. For last two months, they are either stagnant or moving southwards. My feeling is that if the crisis as it is unfolding, can put even more pressure and prices will come down by 15-20 pc,"

Commissioner for Agricultural Costs and Prices (CACP) chairman Ashok Gulati told PTI.



The CACP is a statutory body that recommends the Centre on the pricing policy for major farm items.

"India's agri-exports would come under pressure. Already, wheat exports have become uncompetitive," he added.

In September, the government lifted a four-year ban on wheat export and allowed shipments upto 2 million tonne. However, so far less than 1,50,000 tonne has been shipped.

Gulati pointed out that "sugar mills could face similar situation, because by January-February 2012 sugar exports are also expected to be unviable and may lead to huge domestic surplus and increase in cane arrears".

The government is yet to take a decision on sugar export policy for the ongoing FY12 marketing season. The country's sugar output is expected to exceed demand at 25-26 million tonne against the annual domestic demand of 22 million tonne.

The euro zone is facing severe sovereign debt crisis since last three months and the G-20 is trying to find solutions. Warning that the ongoing crisis could impact in a big way the country's cotton exports, Gulati said, "I will be worried about cotton exports because the US and European demand is coming down. Even demand for Chinese and Indian cotton is also expected to slow down".

India could otherwise be exporting 6-7 million bales of 170 kg each in 2011-12 marketing year (October-September) if it declines to 3 million bales, there will be huge accumulation of stock in the domestic market, he said. "If cotton exports fall, the Cotton Corporation of India (CCI) will be under lot of pressure to hold the price line", he added. India exported around 6.5 million bales last year. Export of fish as well as oilmeals (animal feed) could also be hit due to an expected fall in global rates, he added.

However, Gulati noted that the softening of global prices of commodities like edible oils such as palm oil could benefit India in reducing its import bill. "I hope palm oil, which has gone up to \$1122 per tonne, expected to come down to \$900 per tonne. It will put pressure on domestic oilseeds industry but will give a relief on import front," he said.