

Centre under pressure to check fall in cotton prices

4 States want hike in minimum support price

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With raw cotton (kapas) prices dropping to the level of Rs 4,000 a quintal, the Centre is coming under great pressure to try and stop the rates from falling further.

More importantly, at least four States, three of them ruled by the Congress, are putting pressure on the Centre to raise the minimum support price (MSP) for cotton.

Punjab, Haryana, Maharashtra and Andhra Pradesh are urging the Centre to act on the cotton price front. These States are facing agitation by farmers who are feeling let down by the falling prices, according to official sources.

In fact, the Centre is now looking at whether it should begin procurement operations since prices are close to MSP levels. According to the sources, the Cotton Corporation of India may step in to procure cotton if prices drop to MSP level.

MARKET RATES

For the current year, the Centre has fixed the MSP for long

staple cotton at Rs 3,300 a quintal. Currently, cotton prices in Gujarat and Maharashtra are ruling around Rs 4,000, while in Andhra Pradesh, rates are around Rs 3,800.

Sources said that the Maharashtra Government has demanded that the MSP be increased to Rs 4,285 a quintal.

On his part, the Union Agriculture Minister, Mr Sharad Pawar, who hails from Maharashtra, has also demanded a hike in the MSP for cotton.

Cotton prices have crashed from a record Rs 7,000 a quintal in the last week of March on lack of demand in domestic and export markets. A record crop projection of 356 lakh bales (of 170 kg each) for the current season that began in October has proved to be another dampener. Production was 325 lakh bales last year when farmers enjoyed a double bonus of higher production and higher prices.

"Hardly 10 per cent of the crop has come to markets this year but prices have already dropped sharply," said a trad-



ing source.

ARRIVALS

According to the Cotton Corporation of India, arrivals until last weekend were 43.10 lakh bales against 57.17 lakh bales during the same period a year ago. Daily arrivals are 1-1.1 lakh bales against 1.8-1.9 lakh bales, a year ago.

"Farmers are holding back, expecting some rebound in prices. But it looks unlikely, particularly when only 11 lakh

bales of cotton have been registered for exports," said the source. During the same time last year, 60 lakh bales had been registered for exports.

"The situation is such that efforts are being made to raise the MSP to current market price level and then start procurement operations," said an industry source who did not wish to be identified.

"There is no economic reason for raising the MSP," said Mr D.K. Nair, Secretary-Gen-

eral of Confederation of Indian Textile Industry. "If we buy cotton at current prices and convert it to yarn, there is a loss of Rs 15 for every kg taking total costs into consideration," he said.

Though movement in cotton yarn is being reported, especially with neighbouring countries such as Bangladesh coming forward to import, industry officials say that prices have increased only five per cent now after having dropped 45 per cent.

"Unless the European economy recovers, there may not be a real recovery in the yarn sector," said Mr Nair.

Meanwhile, a meeting of the textiles industry, banks, the RBI, Finance, Commerce and Textiles Ministries' officials is likely to be held next week to help restructure loans of textiles companies. The banks have exposure worth Rs one lakh crore to the textiles industry and therefore, restructuring of the loans is viewed as one of the key elements to help the industry recover.

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