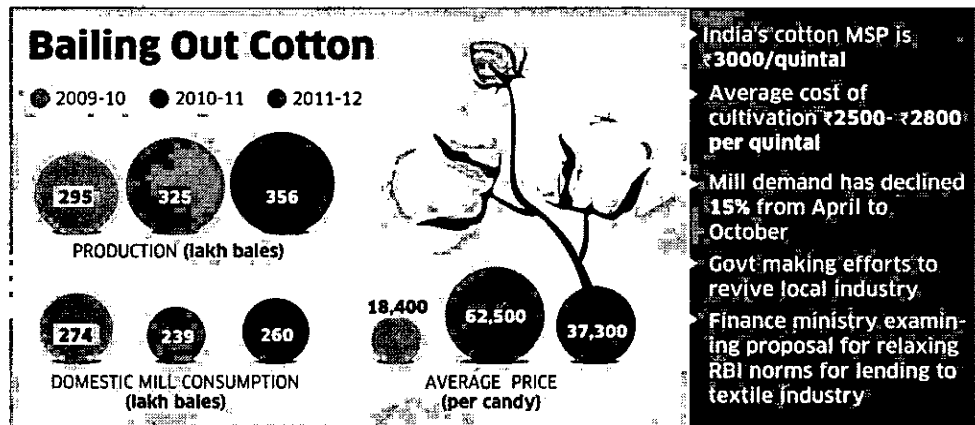


Cotton Misery Now Helps Oppn Spin a Yarn



Plunging profits drive farmers to demand doubling of MSP

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Record production and crashing overseas demand have led cotton farmers across the country to intensify their agitation for higher state support, an issue that is fast turning into a political hot potato.

With demand drying up in the eurozone and the US, China has significantly reduced its cotton imports from India. As a result, profits for cotton farmers across the country are likely to slide from 100% in the previous season to just about 15% this time round.

Especially in Maharashtra, where civic polls are due in February, opposition parties are scrambling to cash in on the resentment among the large community of cotton growers while the state government is striving to contain the damage. Cotton farmers are demanding immediate procurement by government-owned Cotton Corporation of India (CCI) and doubling of the minimum support price from ₹3,000 per quintal for the benchmark Shankar 6 variety.

Chief minister Prithviraj Chavan has called an all-party meeting in Mumbai on Tuesday to discuss the issue as the agitation is rapidly spreading beyond Vidarbha and Marathwada regions. The meeting comes two weeks after the government conceded to the demand for raising sugarcane prices after agitations turned violent in parts of the state.

"If farmers are in the mood to fight, we will announce our strategy for struggle of cotton farmers on November 27 in Buldhana," said Raju Shetti, a Lok Sabha member from Hatkanangle and leader of the regional party Swabhimani Paksha. BJP and Maharashtra Navnirman Sena, which joined agitations by sugarcane farmers last month, have now taken up the cause of cotton farmers.

The crisis is, however, by no means restricted to Maharashtra. Cotton is India's most important cash crop and contributes a third to farm GDP. Of the 200 textile companies listed on BSE, 166 have declared losses in the first two quarters of the current fiscal, data with the textiles ministry shows.

Officials from the central ministries of textiles, commerce and agriculture are examining options to resolve the crisis that has the potential to unite farmers across India's nine major cotton-growing states.

Even at current MSP, it will cost the CCI at least ₹25,000 crore to buy 9 million bales cotton. "The costs of a revision in MSP are truly prohibitive," said a CCI official who did not wish to be named. CCI is ready to open 225 procurement centres across the country, but every state government has sent requisition for 200 centres, the official said.

The Commission on Costs and Prices in the agriculture ministry which recommends MSP has been informally asked to examine the proposal,

an official who did not wish to be named said. The official, however, added that revising MSP under the pressure of protests will set a bad precedent.

"We are asking the government to ensure that CCI starts procuring as traders are paying farmers less than MSP at some places. Also, a bonus of ₹1,000 a quintal should be given," said Bhartiya Kisan Union general secretary Sukhdev Singh Kokrikalan.

The union has deferred its proposed agitation in Punjab until next week after assurance from chief minister Parkash Singh Badal that he will take up the issue with the Centre.

"Had the centre shown scant concern for farmers, it would have at least consulted agrarian states like Punjab before finalising MSP," Badal had said in June when MSP was announced.

Cotton prices are currently 25% above MSP in Andhra Pradesh, 44% above MSP in Maharashtra and 34% above MSP in Punjab.

However, according to latest estimates by the Cotton Advisory Board, while India's cotton production is likely to rise by 3 million bales, consumption may contract by 3 million bales. So, there is little likelihood of CCI being able to offload this cotton to mills due to a glut in the market.

Cotton farmers are demanding immediate procurement by govt-owned CCI and doubling of the minimum support price

Last November, mills had export orders for 9 million bales. This year, there is no demand from Bangladesh and Pakistan, while Chinese imports have been modest. The shutdown of Tirupur hosiery cluster due to anti-pollution laws has added to the oversupply.

Higher cotton yarn exports are also not leading to higher value realisation. International prices are at \$3-\$3.50 per kg, down from \$5-\$6 per kg last year.

Meanwhile, business at most cotton mandis is at a virtual standstill.

Expecting their agitation to yield results, farmers have stopped bringing cotton to the market. "Arrivals at various mandis in Maharashtra are lower than last year as farmers want to wait and watch if government increases cotton prices," said NP Hirani, chairman, Maharashtra State Cotton Growers Cooperative Federation.

"On Saturday, farmers in Rajkot market yard were angry with the prevailing price of ₹4,400 per quintal against the ₹4,700 they received last year and stopped the auction. Today, the price has touched ₹4,500 and some sales are happening," said Saurashtra Ginners Association secretary Anand Popat. Mills are staying away as they expect prices to drop when the approaching rabi sowing season makes farmers increasingly desperate to sell.

"Mills are operating with 15 days inventory and will not be entering the market in November or December for their annual stock purchases, given the declining price projections. With arrivals likely to increase from 1 lakh bales per day to 3 lakh bales per day and no domestic/international demand, we will witness sharp price moderation of 20%-25% in the next 15-20 days," said an industry watcher.

(With inputs by Madhvi Sally)