

Cotton Turns Political Hot Potato

Something Fresh

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Farmers have again overproduced themselves out of profits. They have grown enough cotton to last India two years at the current pace of consumption. Unfortunately, no one has the guts to tell them so. The Planning Commission says farming is India's largest private sector enterprise. And cotton is India's largest cash crop. It was planted with eyes wide open and greedy after it fetched a record 100% profit last season. This year, farmers are still in the money.

Commission for Costs and Prices that calculates the cost of growing 22 crops in India figured farmers would have spent between Rs 2,500 and Rs 2,900 for producing a quintal. It fixed MSP at Rs 3,300. But farmers want minimum Rs 4,300 and are going on a rampage to achieve it. Can you imagine businessmen taking to the streets because prices are down? So why are farmers being treated with kid gloves?

Farmers are still the single largest vote bank and Maharashtra heads for civic polls in February. Farmers are also the life blood of professional agitators in all states. In late October, Maharashtra's local parties offered their services to sugar cane farmers clamouring for higher prices. After successfully making the NCP-Congress state government combine bow down on cane, they have offered to help



cotton farmers. The state government wants to wrest the credit for itself. Since the electoral code of conduct has been imposed, chief minister Prithviraj Chavan can't announce a bonus. But he can certainly push the Centre to raise the MSP. With NCP supremo Sharad Pawar as agriculture minister, and boss of CACP, it should be a doddle.

Then again, it is always easy to be generous with other people's money. It will be the central government's headache to find the Rs 30,000 crore needed to procure cotton from farmers at the new higher price if textile mills don't. NCP-Congress will take the credit for something totally off the state government's account books.

What any politician won't mention is the real reason why Vidarbha farmers make so little despite high prices. Only 5% of Maharashtra cotton farms are irrigated, compared to half in Gujarat. Fewer bales per hectare keep farmers trapped in poverty. That is why Gujarat is quietly exporting to China while Vidarbha

burns with jealousy. But politically, check dams are not a patch on giving farmers cash in hand.

The Central government is equally keen to lend an ear. Parliament is in session. After being branded anti-poor, anti-consumer, anti-trader, the last thing government wants is media coverage of farmers being lathi-charged. The cabinet secretary is learnt to have asked the ministries of agriculture, textiles and commerce for a position paper on the issue.

Government doesn't have the gumption to tell farmers it will only intervene if prices drop below cost of production

None of these ministries are likely to take a tough stand. Agriculture ministry has asked CACP to re-do the maths. The new figure can be higher by anything between Rs 300 and Rs 1,000, depending on give and take between parties.

The textiles ministry has to find the cash for procuring cotton. Since state-run Cotton Corpora-

tion of India doesn't have working capital lines to spend Rs 30,000 crore, the ministry is understandably anxious. Especially because CCI staff is first to be roughed up by farmers if buying or payment is slow. But current textiles secretary is due to retire in December. Usually, neither an outgoing secretary nor an incoming secretary is keen to take on the government. Commerce and textiles minister Anand Sharma is also unlikely to upset the political apple cart.

A higher MSP is no solution as it artificially raises the value of cotton. No mill is willing to buy it at a price that makes yarn and clothing non-viable. So farmers still won't find customers. Worse, steep raw material prices will worsen the textile industry's precarious financial health. A package worth Rs 5,000 crore to restructure corporate debt and ease working capital is in the offing to reduce the pain.

In short, government is willing to spend Rs 35,000 crore on cotton and textiles this season. But it doesn't have the gumption to stick to its guns and tell farmers it will only intervene if prices drop below cost of production.

The pattern of profitable crop prices, followed by increased production, resulting in a price crash is not unique to India or to cotton. It is created by farmers riding a bull run. It auto-corrects when farmers face the consequences of their collective irrational exuberance. That's business. Unfortunately, no political leader has the courage to tell this truth. Together, they are merely prolonging farmer misery.