

Flip-flops on cotton

Govt refuses to learn from its errors

The government's flip-flops on cotton exports have turned full circle, but have not yet, perhaps, fully ceased. In a span of a few weeks, the government has switched positions from a total ban on cotton exports, to a partial easing of the curbs allowing the shipment of cotton already registered for export, to suspension of fresh registrations, and finally to revoking the ban on exports as well as on fresh export registrations. However, some irritants have still been retained, by avowing a review of the situation after three weeks and turning down the demand for putting cotton exports under the open general licence (OGL) system.

The commerce ministry's misjudged and mistimed embargo on overseas shipments of cotton, imposed suddenly on March 5, predictably caused a sharp outcry from cotton farmers. Agriculture Minister Sharad Pawar, who perhaps purposely made it known that he had learnt about the ban through media reports, said it was a retrograde measure that would hurt the interests of the farmers. Later, he dispatched a bitterly worded missive to the prime minister in which he equated the ban with asking farmers to subsidise the textile industry to the benefit of textile magnates. Though the commerce ministry was forced to partially retract its move within a week, much of the damage had already been done. Domestic prices slumped to below the minimum support price (MSP) at a time when the cotton marketing season had not yet ended and growers still had sizeable unsold stocks with them.

This muddle has reflected poorly on the government's decision-taking process. The export ban was without good cause, given that the cotton harvest this year hit record levels and demand from the textile industry has not picked up sufficiently to absorb the rise in supplies. The arguments put forth by the commerce ministry in support of its action – that continuation of exports would have created a raw material shortage for the domestic textile industry and that multinational trading houses were hoarding cotton in their warehouses abroad – made little sense. Even the Confederation of Indian Textile Industry reportedly told the textile ministry that there was neither any shortage of cotton nor any undue increase in its price. Moreover, the Cotton Advisory Board, a wing of the textile ministry itself, has revised its estimates of this year's cotton production marginally upwards, from 34.5 million bales to 34.7 million bales, and lowered the consumption estimates substantially, by a million bales – from 26 million bales to 25 million bales. Amazingly, the commerce ministry's embarrassing somersault has not rendered it any wiser. It has declared its intention to revisit its exports resumption decision after three weeks. It ought to realise that any further unsound moves will prove counterproductive, by forcing farmers to cut down on cotton planting in the coming kharif season. If that happens, it will gravely constrain domestic cotton supplies next year, to the detriment of the textile industry.