

Govt to open fresh cotton export registration

Banikinkar Pattanayak

New Delhi, Apr 29: The government is set to lift a ban on fresh cotton export registration, although efforts to resolve the controversial issue amicably by putting a cap on further shipments eluded a consensus on Sunday, a day before the meeting convened by Prime Minister Manmohan Singh to discuss farm exports.

While agriculture minister Sharad Pawar is pitching for the complete removal of ban on fresh export registration in the year through September, finance minister Pranab Mukherjee and commerce and textile minister Anand Sharma are in favour of allowing fresh licences up to two million bales to balance the interest of farmers with textile mills, sources said.

However, the sources said when Mukherjee called Pawar to convey the proposal, the farm minister sought to express his views at the meeting of the informal group of ministers (GoM)—headed by the finance minister—on Mon-

day, just hours before the meeting with the Prime Minister. Singh has called the meeting, to be attended by Mukherjee, Pawar, Sharma and food minister KV Thomas, on late Monday to defuse tension over the farm minister's letter to him earlier this month, attacking the government's restrictions on cotton and sugar exports despite a spike in cost of production.

"It defies logic to permit the consumer of cotton (textile industry) to dictate terms to the producer of cotton (farmers) regarding trade and price regime of cotton," Pawar wrote in his letter to Singh.

Earlier this month, state-backed Cotton Advisory Board (CAB) estimated year-ending stocks of 2.5 million bales—sufficient for domestic consumption of just over one month—even if no fresh shipment is allowed. While the CAB has estimated cotton production at 34.7 million bales for 2011-12, the agriculture ministry has projected higher output at 35.2 million



THE COUNTRY HARVESTED AROUND 33 MILLION BALES LAST YEAR AND SHIPPED AROUND 7.8 MILLION BALES

bales. The country harvested around 33 million bales last year and shipped around 7.8 million bales. The cotton crisis has flared up since March 5 when

the commerce ministry banned the fibre's exports, to conserve the raw material for off-season use and avoid a depletion of stocks, after licences were sought to ship an unprecedented 13 million bales. One bale equals 170 kilograms. India is the world's second-largest cotton grower and exporter, and China accounts for around 80% of its cotton supplies.

Pawar criticised the ban arguing that farmers' income would dwindle due to a resultant fall in domestic prices, while Sharma had said it was better to restrict cotton exports than having to import the raw material at hefty prices later. Pawar also complained to the Prime Minister that he was "kept in the dark" about the ban, prompting Singh to direct an urgent review of the decision by the informal GoM.

The panel of ministers decided to allow fresh registration of export contracts only after assessing latest domestic supply situation, although it

asked for clearing shipments after revalidation of registrations which were applied for before the ban was imposed. The Directorate General of Foreign Trade (DGFT) has revalidated contracts for exports of 11.5 million bales.

Addressing the media on Sunday, Sharma said the GoM will take a decision, factoring in the interests of farmers as well as other key stakeholders such as textile mills. "A balanced view on cotton exports needs to be taken. After Pawar comes back (to Delhi from Maharashtra), we will discuss the issue with him and take a final call," he said.

The textile industry apprehends that cash-starved mills may be forced to import if shipments are approved beyond the 11.5 million bales already allowed. Textile mills are struggling to stock up in bulk as several of them have walked into a debt trap owing to a sudden fall in product prices after two successive years of relentless rise in raw material costs.