

Business Standard

Production cuts loom large for cotton seed firms, farmers to be impacted

Producers' margins under threat on rising cost and falling realisation, R&D to get impacted badly

Dilip Kumar Jha | Mumbai April 23, 2018



Representational image

Squeezed between rising cost of production and falling realisation, cotton seed companies are planning to cut production for the kharif sowing 2019 which may impact India's 8 million farmers adversely.

Cotton seed producers claim that their production costs have risen by 20 per cent the past three years, especially since the Bollgard II Bt cotton price was fixed at Rs 800 per packet of 450 each

two years ago. But, after stagnating for two years, the government of India decided to cut its prices by Rs 60 or 7.5 per cent to Rs 740 per packet for the current year.

The cut was announced at a time when seed companies initiated awareness programmes for farmers to help them adopt best farm practices to fetch higher yield from the same sowing area. Last year, many farmers in Maharashtra, Andhra Pradesh and Telangana reported huge cotton output loss due to pink bollworm attack on the standing crop. The decline in output in major producing states prompted the government to reduce its cotton production forecast 5-7 per cent for harvesting season 2016-17.

"We had requested the government to raise seed prices after two years of stagnation at Rs 800 a packet (of Bolgard II) to accommodate increasing labour cost, fixed and other costs including the research and development (R&D). Instead, the government cut its prices by 7.5 per cent to Rs 740 a packet. While the cost of production has gone up by nearly 20 per cent over the last three years, realisation slumped by 7.5 per cent. This will result into lower production and investment capacity for the next season as the distribution of seed packets for the current season got almost over. Seed supply would be impacted heavily next year," said Satish Kagliwal, Managing Director, Nath Seeds and Founder President of National Seed Association of India (NSAI).

India has seen a sharp increase in cotton production from a deficit country till two decades ago to one of the largest cotton producers now. With its production between 33 and 38 million bales (one bale = 170 kg), India's annual cotton exports stand at 4-5 million bales. India sends cotton to China, Bangladesh and a number of other major textile manufacturing countries. Indian exports also include cotton yarn on a large scale to China and Bangladesh, among other destinations.

"With this kind of price cut, it has become difficult to realise cotton seed production as a sustainable business model," said Ashwani Yadav, Executive Director, Federation of Seed Industry of India (FSII).

Seed manufacturers prepare production and distribution strategies of seed packets a year in advance to enable farmers to source high yielding seeds from reliable sources. Thus, seed producers ensure the packet reaches distributors by the first fortnight of March in north Indian states like Punjab and Haryana for farmers to procure seed for early sowing by March-end. Sowing of cotton seeds gradually spreads to other states for sowing with the pre-season showers. So, the distribution for the current season has already been done in the north Indian states.

India produces around 50 million seed packets of 450 grams each for 8 million farmers of the country to grow cotton in 12.26 million ha of land every year.

Last year, however, crop damage in Maharashtra, Andhra Pradesh and Telangana has raised questions on the quality of seeds supplied to farmers.

Source: http://www.business-standard.com/article/markets/production-cuts-loom-large-for-cotton-seed-firms-farmers-to-be-impacted-118042300589_1.html