

Business Standard

Cotton farmers plan on switching to maize, soybean for better realisation

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Dilip Kumar Jha | Mumbai April 22, 2019 Last Updated at 21:20 IST



A harvester unloads corn to a cargo truck at a farm

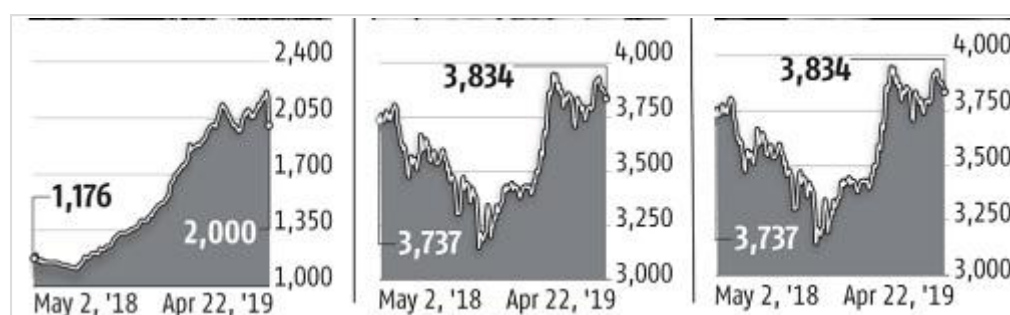
Lured by higher realisation in the last few months, cotton farmers are planning to migrate to other competing crops, including maize and soybean, this kharif season.

Cotton prices remained highly volatile, with average monthly model price hovering below the benchmark minimum support price (MSP), barring a few months, during the last one year. As against the MSP of raw cotton for 29.5-30.5 mm fixed at Rs 5,450 a quintal, the natural fibre was trading with a discount to the MSP. By contrast, however, the average realisation from maize and soybean was reported higher than cotton during the last one year.

But, a lot would depend upon the distribution of rainfall this monsoon season despite near-normal forecast by the India Meteorological Department (IMD) a few weeks ago. Farmers, however, have started preparations for kharif sowing after the release of the IMD forecast. Historically, farmers bring in more area in favour of the crop which realised higher last year.

“Soybean and maize may see migration of sowing area from cotton due to better realisation last year. While soybean might be the biggest beneficiary, a sharp increase in maize prices in the last few months may prompt farmers to bring in additional area at the expense of cotton this kharif season,” said D N Pathak, executive director, Soybean Processors Association (SOPA), an Indore-based premier trade body for soybean and its derivatives.

SOPA in its February 2019 statement had estimated India’s total soybean output at 11.48 million tonnes (mt) for the season 2018-19, compared to 9.65 mt reported for the previous year. Despite higher output, soybean prices remained elevated throughout the year due to the government’s decision to raise import duty on vegetable oils last year, which was cut marginally early this calendar year. India meets around 60 per cent of its vegetable oils demand through imports, primarily from Indonesia, Malaysia, and Argentina.



Meanwhile, crop damage due to unseasonal rainfall and thunderstorm pushed maize prices up sharply

in the last few months. Average maize price hovering below the MSP of Rs 1,700 a quintal till December 2018 suddenly shot up to trade at Rs 2,135 a quintal in April 2019. The current average price works out to 26 per cent premium to the MSP.

“Sporadically, we may see crop diversion in favour of better remunerative crops like maize and soybean than cotton. But, rainfall and their distribution pattern would set the trend for kharif sowing this season,” said Madan Sabnavis, chief economist, CARE Ratings.

Cotton farmers faced huge crisis last year due to uneven distribution of rainfall last year in its major growing states like Maharashtra and Gujarat.

Surprisingly, cotton prices have also jumped to trade at a premium of 15-20 per cent (depending upon the cotton variety) to the MSP in March and April 2019, compared to a discount in the previous months.

“With around 7 million bales of cotton stock left with farmers and stockists, farmers may continue to fetch higher prices this year,” said Arun Sakseria, a city-based cotton trader and exporter.

Apex traders’ body the Cotton Association of India has estimated India’s cotton output at 32.1 million bales (170 kilos each) this year, compared to 36.3 million bales last year. The decline in cotton output was attributed to the scarcity of water in some states resulting in farmers uprooting their plants in about 70–80 per cent area without waiting for third and fourth pickings.