

## PSU Cotton Corp comes to the rescue of farmers hit by coronavirus disruption

*Transport of cotton across China is being delayed & concern is mounting that factory closures will weigh on demand of fibre due to spread of the virus*

Pratik Parija 6 March, 2020



*Farmers plant cotton seedlings in Nagpur (Representational image) | ANI Photo*

New Delhi: An Indian state-run cotton buyer is bolstering purchases from farmers to stop them making distressed sales, with the spread of coronavirus curbing demand in key export markets and causing prices to slump.

Cotton Corp. of India Ltd. bought about 7.5 million bales of 170 kilograms each from farmers so far in 2019-20, and it will keep buying more if farmers offer it up, Chairman P. Alli Rani said in an interview by phone.

Transport of cotton across China is being delayed and concern is mounting that factory closures will weigh on demand of the fiber due to the spread of the virus, which has killed more than 3,200 people worldwide. Logistical issues mean mills are finding it hard to take delivery of cotton and ship yarn products to their buyers.

Cotton futures in New York have fallen about 11% from the Jan. 13 high this year while local Indian prices have dropped 7% since their Jan. 22 high.

For Arun Sekhsaria, a top executive at one of India's biggest cotton exporters, the virus has meant that he can't risk selling outside of the country, though notes that the support of the state buyer means the country's cotton producers are better off than most.

"I am just keeping quiet. I am not booking any cargoes for exports as I can't travel overseas now if there is any issue with the shipments for any reason," said Sekhsaria, managing director of D.D. Cotton. "Everything is uncertain and nobody knows where prices will go."

## **Bumper Purchases**

Cotton Corp.'s purchases are its biggest annual amount since 2014-15, when it bought about 8.7 million bales. The company, which acquires the fiber at government-set minimum prices, bought about 30% of the total arrivals in markets so far this year and it's currently purchasing about 50% of daily arrivals, Rani said.

About 65% of the total expected production has already arrived in the market, with the remaining cotton to arrive in the next 2 or 3 months.

Demand for Indian cotton has fallen from most buyers, including Vietnam and China, Sekhsaria said. That leaves Bangladesh as its only export option, and the nation may purchase as much as 2.5 million bales from India in 2019-20, he said.

The current domestic cotton price makes it attractive as it's lower than the government-set minimum support price, said Vinay Kotak, a director of Kotak Commodity Services Pvt., one of India's biggest cotton exporters. "Imports are also becoming costlier due to a depreciation in the rupee."

Some cotton giners will lose money because of their expensive stockpiles, Kotak said. "We are seeing a new low every day. There is still uncertainty in the market. If the virus settles, the prices will shoot up."

"Demand is very slow as of now. International prices are falling because of fear psychosis," Kotak said. "We are yet to start business with Chinese buyers." Bloomberg

**Source:** <https://theprint.in/economy/psu-cotton-corp-comes-to-the-rescue-of-farmers-hit-by-coronavirus-disruption/376500/>