

Business Standard

Farmers expand area under cotton by 24% on price increase, MSP hike

Demand to pick up now as textile mills resume operations after lockdown

Dilip Kumar Jha | Mumbai | Last Updated at June 16, 2020



As per Ministry of agriculture, cotton sowing across the country till the first week of June reached near 16.7 lakh ha against 13.5 lakh ha sown by same period last year.

Buoyed by increase in futures prices and the minimum support price (MSP), cotton farmers have increased acreage under the cash crop by shifting from maize and soybean in the early kharif sowing season.

Following a rise in cotton prices (by 3 per cent) in the first fortnight of June after a fall earlier and an increase in MSP by the agriculture ministry by 5 per cent, farmers have planted more cotton this kharif season.

The benchmark cotton futures for near month delivery jumped by 3 per cent on the Multi Commodity Exchange of India (MCX) to trade at Rs 16,120 a bale (170 kgs).

The government raised MSP of medium staple cotton by Rs 442 to Rs 9,376 a bale. Also, the minimum threshold of long staple cotton was raised by Rs 468 to Rs 9,903 a bale.

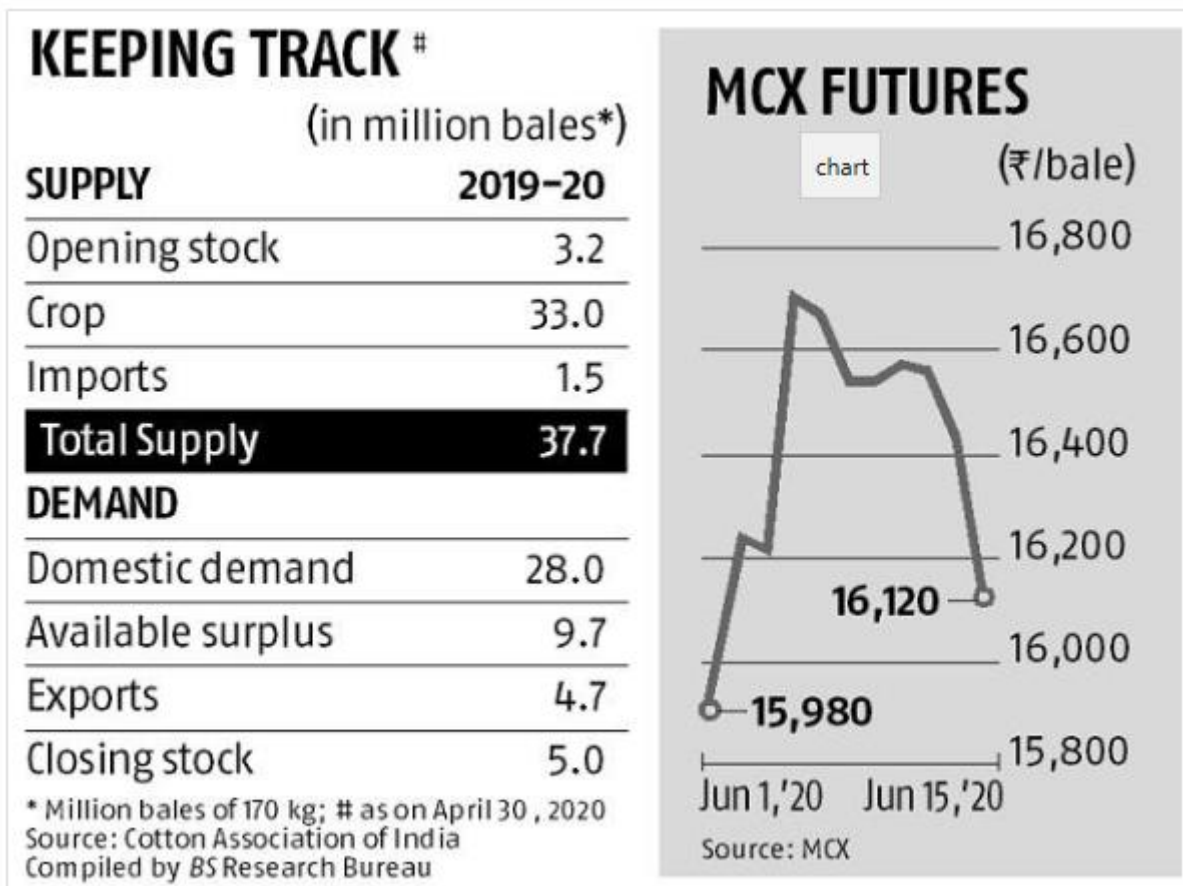
The increase in cotton prices, ahead of the planting season, augurs well for farmers despite a record procurement by the government-owned Cotton Corporation of India

(CCI) and weak demand from textile mills. The slack demand is due to the 70-day of nationwide lockdown.

The MCX offers trade in ginned cotton, a processed version of raw cotton, for which the government fixes the MSP. Hence, MSP range stands lower than the ginned cotton traded on the MCX.

“Acreage under cotton across India so far in 2020-21 (July-June) is higher by 24 per cent at 1.7 million hectare (ha) as farmers in the northern states, including Haryana, Punjab and Rajasthan, have brought more areas under the fibre crop. By contrast, cotton acreage in Gujarat is expected to shrink at least by 10 per cent in 2020-21 as farmers may shift to more lucrative crops like groundnut, amid a fall demand outlook due to the coronavirus (Covid-19) pandemic,” said Vinod TP, analyst, Geojit Financial Services.

According to the ministry of agriculture, cotton sowing across the country till the first week of June touched nearly 16.7 lakh ha against 13.5 lakh ha sown in same period last year.



“Textile mills have gradually restarted operations after the nationwide lockdown and achieved 50-70 per cent of their operating capacity. We believe their capacity would increase steadily. A major quantity of cotton inventory with mills, which was stored before the lockdown, has been consumed. We expect cotton demand to increase by the

end of June or early July. Looking at the demand scenario, we have reduced our discount offer, albeit marginally,” said Pradeep Agarwal, chairman and managing director, CCI.

The public sector cotton procurement agency has procured around 10 million bales of cotton worth Rs 25,000 crore this year and set the highest procurement record.

The CCI has lowered its discount price by Rs 200 a candy (one candy = 355 kg) on bulk purchases of cotton bales procured in 2018-19 (Oct-Sep) and 2019-20 marketing years.

“As markets started opening for cotton, Indian exports are expected to pick up as our rates are reportedly the lowest globally. Exports to China, Vietnam and Bangladesh may rise (with additional support from a firm dollar vs rupee),” said Ajitesh Mullick, vice-president (retail research), Religare Broking.

Source: https://www.business-standard.com/article/economy-policy/farmers-expand-area-under-cotton-by-24-on-price-increase-msp-hike-120061501194_1.html