

Cotton prices may stay way above minimum support levels in 2021-22 cotton year

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Synopsis

Along with cutting India's cotton exports, high cotton prices will reduce the central government's procurement budget for cotton to a miniscule amount from the Rs 55,000 crore spent collectively on cotton procurement during the previous two cotton seasons, said trade and industry veterans at a webinar organized by Cotton Association of India (CAI), the apex trade body of cotton.

Strong rebound in post-Covid-19 demand and bullish sentiments due to tight supplies are expected to keep Indian cotton prices way above the government set minimum support price levels in 2021-22 cotton year (October-September). Along with cutting India's cotton exports, high cotton prices will reduce the central government's procurement budget for cotton to a miniscule amount from the Rs 55,000 crore spent collectively on cotton procurement during the previous two cotton seasons, said trade and industry veterans at a webinar organized by Cotton Association of India (CAI), the apex trade body of cotton.

"During the 2019-20 and 2020-21 seasons, Cotton Corporation of India (CCI) had spent a total of Rs 55,000 crore and procured 2 core and 7 lakh bales. As the cotton prices are currently ruling about 30% to 40% above the MSP, our intervention may not be required during 2021-22," Pradeep Agarwal, chairman of CCI, the public sector undertaking of ministry of textiles.

The MSP of cotton for 2021-22 season for long staple cotton is Rs 6025/quintal.

According to Agarwal, cotton production in 2021-22 is expected to be between 355-360 lakh bales, which is almost like last year's production of 355 lakh bales despite reduction in area sown under cotton from 133 lakh hectare in the previous year to 125 lakh hectares in the current year.

The global outlook for cotton has been bullish due to lower ending stock of the US, which is keeping cotton prices on ICE (International Cotton Exchange) strong. Sumeet Mittal, general manager (cotton) Louis Dreyfus Company said. "Production outlook for major producing countries is not looking good. Cotton commodities, as compared to other soft commodities, will have a better run in 2021-22."

Domestic demand for cotton from the spinning mills is strong due to good margins and robust export demand. Dhiraj Khetan, managing director Sri Salasar Balaji Agrotech said, "Despite high cotton prices, mills are expected to buy aggressively as the demand and consumption is expected to be stronger than the supply situation."

Arun Sekhsaria, director, DD Cotton said, "By November/December, when the daily arrival figures will hit 2 lakh bales/day, some pockets of the country may need CCI intervention."

However, due to strong demand, the trade expects farmers to hold on to the crop in case prices come under pressure. Mahesh Sharda, partner, Deen Dayal Purushottam Lal, said, "The market is well supported. Farmers will pull back if prices go down as they have seen price level of Rs 7000/quintal. The mills would like to go a little long as they had good profit, while the demand for cotton from MNCs indicates good buying internationally also. I think the CCI may not be able to do operations this year, except may be in Telangana."

Source: https://economictimes.indiatimes.com/news/economy/agriculture/cotton-prices-may-stay-way-above-minimum-support-levels-in-2021-22-cotton-year/articleshow/86858485.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cpst