

# Cotton crisis

Is King Cotton likely to lose its hold over growers in India? While the jury is out, signs from the farm and the market are not too encouraging.



COTTON yield for the current crop year, which ends in September, is projected at a five-year low of 489 kg a hectare. Productivity had touched a record 554 kg a hectare in 2007-08. Since then it has been a downhill ride. Cotton scientists blame it on the increase in rain-fed area coming under cotton, but there are other disturbing features, too.

### AREA SHRINKAGE

The area under cotton rose to a record 121.74 lakh hectares last crop year. This year it is down to 116.14 lakh hectares. Raw cotton exports were again a record 128.81 lakh bales (of 170 kg each) last year. This year, it is estimated to drop to 70 lakh bales.

The carry-forward stocks from last year were pegged at 28.56 lakh bales and this year, it is projected by the Cotton Advisory Board at 34.56 lakh bales. The projection has been made on the

Balance sheet	(in lakh bales of 170 kg each)	
	2012-13*	2011-12
<b>Supply</b>		
Opening stock	28.56	45.77
Crop size	334	353
Imports	12	12
Availability	374.56	410.77
<b>Demand</b>		
Mill consumption	230	217.68
Small mill offtake	20	21.63
Non-mill offtake	20	14.09
Total Consumption	270	253.40
Exports	70	128.81
Total disappearance	340	382.21
Carry forward	34.56	28.56

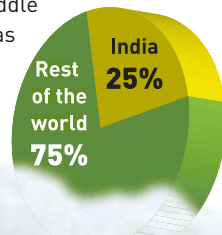
\* As estimated at the Cotton Advisory Board meeting on October 4, 2012

assumption that exports will be as estimated and consumption by textile mills will be 270 lakh bales. Last year, the textile mills' consumption was 253.40 lakh bales.

### LOWER PRICES

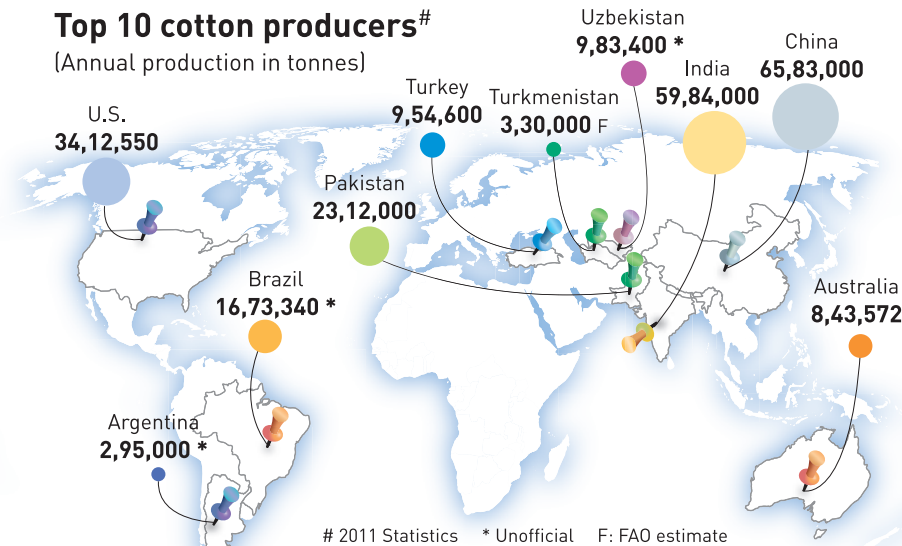
Most importantly, cotton prices are lower than last year. Compared with the record highs seen in March 2011, they have plunged by nearly a half. According to the Cotton Corporation of India, the price of Shankar-6 kapas (raw cotton) in the middle of January was Rs.4,275 a quin-

### Area under cotton



### Top 10 cotton producers#

(Annual production in tonnes)



# 2011 Statistics \* Unofficial F: FAO estimate

tal against Rs.4,525 during the same period a year ago. On March 7, 2011, the variety had hit a record Rs.6,300 a quintal. Shankar-6 is seen as the benchmark since it is the most in demand for exports.

This explains why the area under cotton dropped by over five lakh hectares this year. With exports drying up and forecasts of the bearish trend continuing, the prospects for cotton are not

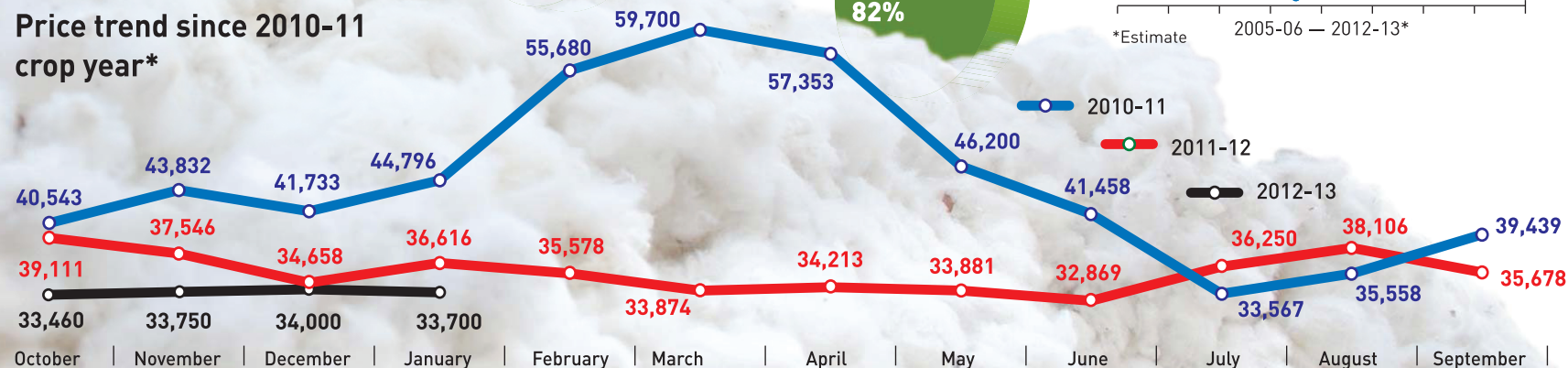
bright. Besides, there are other problems, including the ad hoc decision by the government to ban cotton export, declining performance of Bt cotton, power shortage for irrigation and textile production and dependence on China for exports.

The Cotton Corporation of India, which is buying to keep prices stable, could be left with huge stocks. This could derail King Cotton.

### State-wise area, production and yield in 2012-13

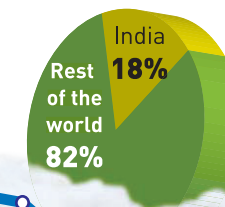
States	Area in lakh hectares	Production in lakh bales of 170 kg each	Yield kg/hectare
Punjab	5.16	18	593
Haryana	6.03	24	677
Rajasthan	4.49	16	606
Gujarat	23.63	85	612
Maharashtra	41.30	80	329
M.P.	6.08	17	475
A.P.	21.40	72	572
Karnataka	5.16	12	708
Tamil Nadu	1.20	5	708
Odisha	1.19	3	429
Others	0.50	2	680

### Price trend since 2010-11 crop year\*



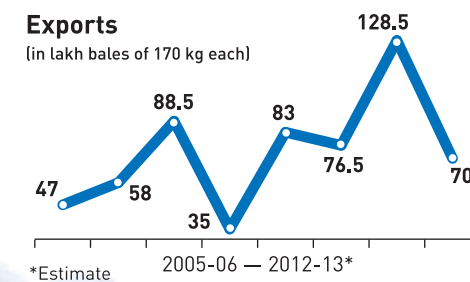
\* in Rs/candy of 356 kg for Shankar-6 which is in demand for exports

### Cotton production



### Exports

(in lakh bales of 170 kg each)



\*Estimate

### Factors affecting cotton farming

- Declining yield, especially that of Bt varieties.



- Cultivation of Bt cotton in farms without proper irrigation.
- High labour costs.
- Unreliable export policies for cotton and yarn.
- Inadequate power supply in States, particularly in the south.



- Over-dependence on China for exports.

