

Atul S. Ganatra
President

27th June 2024

Smt. Nirmala Sitharaman
Hon'ble Union Minister of Finance and
Minister of Corporate Affairs,
Government of India, Rajpath Marg,
E Block, Central Secretariat,
New Delhi – 110 011.

Respected Madam,

Greetings from Cotton Association of India!

We are over 103 years old cotton body representing all segments of the cotton and textile value chain viz. farmers, ginner, traders, brokers, exporters, cooperatives, textile mills, etc.

On behalf of Cotton Association of India (CAI), we wish to make the following submissions for your kind consideration and inclusion in Union Budget 2025:-

1. SEPARATE EARMARKED BUDGET FOR DEVELOPMENT OF NEW COTTON SEED TECHNOLOGY TO INCREASE YIELD:

Cotton is an important cash crop in our country. India has the largest cotton acreage in the whole world. Cotton cultivation in India plays an important role in sustaining livelihood and increasing income to an estimated 6 million cotton farmers and another 40-50 million people engaged in related activities. The per hectare cotton yield in our country is among the lowest in the world and far below the world average cotton yield of 764 kgs. per hectare.

One of the main reasons for low cotton productivity in India is the use of obsolete Bt. cotton technology by about 95% of our cotton farmers. Over the years and in the absence of adoption of any technological advancement in Bt. cotton in India, Pink Boll Worms (PBW) have developed resistance to Bt. cotton seeds. According to Indian researchers, this long duration crop cycle with long flowering and fruiting window is unsuitable to most of our rain-fed areas and is susceptible to deadly PBW infestation.

It is therefore necessary to introduce new seed of high yielding cotton varieties with good fibre quality which are best suited to local conditions with tolerant to locally prevalent biotic (insects and pathogens) and abiotic (specific window of temperature, drought etc.) factors for increasing our cotton yield atleast to the world average yield mark.

If we fail to provide new seed technology to our farmers, they will eventually stop growing cotton due to the crop loss caused by frequent PBW infestations. Such crop losses eventually translate into abysmally low yield reducing the income of our farmers, who, due to lower yield, high input and labour cost, find cotton agriculture less favourable and at times unsustainable.

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In order to address this issue, we suggest that a separate earmarked budget be allocated for development of new seed technology in India.

2. POLICY SUPPORT TO ENCOURAGE DRIP IRRIGATION IN RAIN-FED AREAS:

Approximately 67% of India's cotton is produced in rain-fed areas. Since in rain-fed areas, cotton is totally dependent on rains, it does not get adequate water during critical flowering and fruiting stages, when the requirement of water is more than 80% of total water requirement of cotton crop.

Due to this, cotton yield in rain-fed areas is substantially lower compared to the irrigated belts especially in rain-fed state like Maharashtra, where about 95% area is rain-fed, and in scanty water availability states like Madhya Pradesh, Andhra Pradesh, Tamil Nadu, Karnataka and Gujarat.

In order to overcome this, we respectfully suggest introducing drip irrigation technology in all our rain-fed / scanty water availability areas and carrying out demonstrations through Public Private Partnership to create awareness amongst cotton farmers about benefits of using drip irrigation technology. This will not only ensure efficient water resource management but also boost our cotton yields manifold. Apart from substantially increasing cotton yield, drip irrigation will also prove to be an effective tool to save 40-60% of total water required for irrigation through flood.

Further, since the cost of installing drip irrigation system in India is very high at about Rs.45,000/- to Rs.60,000/- per acre, we also earnestly request you Madam, to kindly provide for farmers' benefit a budget of atleast 500 crores for setting up drip irrigation system in farmers' fields.

3. IMPLEMENTING SCHEME FOR WAREHOUSING OF KAPAS AND COTTON AND FINANCING AT AGRI-LENDING RATES:

There is a need for providing proper warehousing of kapas and cotton at various cotton growing regions of our country to help enhance their storage capacity and also for their financing at agri-lending rates. Due to non-availability of warehousing, farmers are forced to store kapas in-house resulting in deterioration of quality and also sell at prices not lucrative due to weather vagaries. If Government allows subsidy for cluster development in each region at 50-100 kilometers distance, it will benefit.

The Government has various schemes like Gramin Bhandaran Yojana for Warehouse construction subsidy, etc. under the National Bank for Agriculture and Rural Development. **We respectfully submit that similar suitable scheme for cluster development of warehousing of kapas and cotton in all regions and for extending the facility of financing at agri-lending rates be made for kapas and cotton in upcoming Union Budget 2025.**

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4. ALLOW FREE FUTURES TRADING FACILITY ON GLOBAL COMMODITY EXCHANGES FREELY:

In this liberalised global era, there is a need for allowing Indian merchants to trade freely in global commodity exchanges to be able to compete internationally. Presently, Indian value chain participants are allowed only to hedge against their underlying cotton trades but otherwise not allowed to buy or sell on Global Commodity Exchange to acquire positions.

Futures trading is an effective price discovery and risk management tool. Unless Indian value chain participants are not allowed to use this tool and trade freely in all global commodity exchanges, it would not be possible for them to compete effectively in international markets. Therefore, it is our respectful submission that all Indian value chain participants may kindly be allowed to utilise futures trading facility in global commodity exchanges freely to acquire positions even without having any underlying physical cotton trade.

5. INTEREST SUBVENTION SCHEME SHOULD BE AVAILABLE TO ALL STAKEHOLDERS, NOT LIMITED TO MANUFACTURERS ONLY:

Cotton is an agri-product. It is our respectful submission that the benefit of Interest Subvention Scheme be extended to all stakeholders including those who are buying or selling cotton and not only manufacturers.

6. Micro, Small and Medium Enterprise (MSME) is a very important segment of business in every value chain. Our Government has taken several initiatives for recovery of all receivables of MSMEs. We respectfully urge that for benefit of MSMEs, Government should make it mandatory for routing of all receivables of MSMEs through these platforms. Further, more Banks should be allowed to operate such platforms.

We earnestly request you to kindly consider all our above submissions favourably and suitable provisions concerning the same may kindly be made in the overall interest of the entire cotton economy of the country including our cotton farmers.

Thanking you,

Yours sincerely,



Atul S. Ganatra