



## EXPERT'S INSIGHT - INDIA

The high prices of cotton and no buyers ready to enter into contract makes times very difficult for heads of producer groups...

Without any confirmed buyers or contracts bankers are not willing to advance any working capital. Without working capital the cotton grown by the farmers cannot be procured as all the farmers need immediate cash to meet their expenses...Hence the farmers have started selling the cotton in the open market as conventional cotton.

The Zameen farmers will benefit even if they sell their Fairtrade and Organic cotton as conventional cotton due to high prices in the market. But the current Indian government policy (which has been sanctioned) is to ban cotton exports beyond 55 million bales. So, if the registered 55 million bales are not exported before 15th of December, then the government is not likely to allow export. Further to this the government has banned yarn exports beyond 720 million kgs, both these issues will have an impact on the cotton prices in the market.

Farmers who are holding the cotton expecting the prices to rise further will be disappointed when the prices fall in the market. The farmers at this junction will put pressure on the project to procure the cotton and pay the FLO (fairtrade) and organic premiums. The spinners and the brands are sitting on the fence waiting for the prices to fall - and are not committing to any contracts - this is causing great difficulty for the project and not allowing us to secure working capital funds from bankers. With no money in the kitty we are not in a position to procure the cotton from the farmers.

The farmers will be losing confidence in the whole FLO & Organic farming approach as there are no guarantees to buy the FLO & organic certified cotton which they are growing where the yield per acre is max 500 kgs. They hear about the non organic cotton farmer (who is using hybrid seeds) and getting 700 to 800 kgs per acre, some places even 900 kgs. There is a clear chance the organic farmers will be attracted to high yields which bring them more and assured money from the local market and will overlook the other benefits that organic farming has given them.

Even with 100 percent authenticity from the seed, organic cotton with high tractability back to the farmer, ICS in place, quality cotton, and various impact studies, there is no guarantee that the organic cotton grown by the farmers will be bought. All our efforts in training farmers in organic agricultural practises and various technical and quality training for the last 4 years still find us with no committed buyers. There is no opportunity for us to scale-up the organic farming. This is very de-motivating and disturbing in one way but this situation gives us lot of learning that the sustainable organic business need to be redefined and restructured with players with different rules and a different price system which will secure everyone in the chain.

**Satish Chukkapalli, Founder Director, Zameen Organics Pvt Ltd**