

Cotton rules at premium to global rates

DEMAND-SUPPLY IMBALANCE. Traders, mills worried as section of trade alleges farmers of holding back produce

Subramani Ra Mancombu

Chennai

Cotton prices are ruling firm above ₹65,000 a candy (356 kg), but the trend has left the trade divided over reasons for lower arrivals this season. In view of the firm trend in prices, which are 20 per cent higher than global rates, the natural fibre consumption will likely be lower, stakeholders say.

Currently, Shankar-6 cotton, the benchmark for exports, is quoted at ₹67,500 a candy. On the InterContinental Exchange in New York, cotton is quoted at 79.69 US cents a pound (₹52,150/candy) for delivery in March. On MCX, cotton for delivery this month is quoted at ₹31.310 for a bale of 170 kg (₹65,566/candy).

ARRIVALS LOWER

At the Rajkot agricultural produce marketing committee (APMC) yard in Gujarat, the modal price



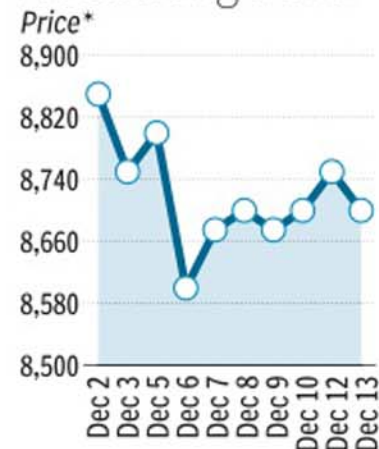
RULING HIGH. At the Rajkot APMC yard, the modal price of raw cotton is currently ₹8,700-8,800 a quintal PTI

(rates at which most trades take place) of raw cotton is currently ₹8,700-8,800 a quintal, at least ₹500 higher than the same time a year ago. "This is because arrivals are low as farmers are holding back the produce hoping to get a higher price," said Rajkot-based cotton, yarn, and cotton waste trader Anand Popat.

"Over 125 lakh bales of cotton have been harvested. But hardly 50 per cent of the harvested crop

has arrived in the markets. Looks like farmers want prices like last year, but the chances of cotton prices ruling high are remote," he said. "Till December 15, 65 lakh bales of cotton have arrived across APMC yards in the country. Even if 20 lakh bales arrive until December 31, at least 240 lakh bales will have to arrive between January 1 and June 30, taking into account the 340-350 lakh bales production estimate," Ramanuj Das Boob, a

Fluctuating trend*



*Prices in ₹/quintal at Rajkot APMC, Gujarat
Source: Agmarknet

sourcing agent for multinationals in Raichur, Karnataka.

This would mean 1.3-1.4 lakh bales of cotton will have to arrive daily from January 1.

"It is difficult to see that much cotton arriving. Probably, the production, which looked bright until two months ago on higher acreage and a quality crop, may have been hit by the vagaries of weather in States such as Telangana and Karnataka," he said. But Popat

said last week, arrivals were 8 lakh bales. The high prices for cotton are now deterring the textile industry. "Spinning mills are working at 50 to 70 per cent capacity," Popat said.

Last week, the Indian Cotton Association President Atul S Ganatra wrote to Union Commerce Minister Piyush Goyal urging the Centre to scrap the 11 per cent import duty on cotton in view of domestic prices ruling over 15 per cent higher than global rates. "Import duty removal will play a crucial role in determining the competitiveness of the value chain in immediate future order bookings for apparel exports," said Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation.

"Domestic demand for cotton is muted due to low fabric demand. The high price compared to other countries is affecting the overall competitiveness when demand is price sensitive," said Ronak Chiripal, CEO, Nandan Terry.