

# Domestic cotton rates begin aligning with global prices on demand rebound

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Indian cotton prices have begun to align with market fundamentals and global rates now that the demand, including for exports, has rebounded, industry participants and traders say.

## MCX FUTURES

Prices, however, have recovered from the lows of ₹56,000-56,500 a candy (of 356 kg) witnessed early this week. The reported move of MCX to introduce new cotton contracts has helped buoy the market to some extent. Currently, ginned cotton is quoted

at ₹59,500 a candy at Rajkot. In comparison, cotton futures for delivery in March is quoted at 83.1 US cents a pound (₹54,450/candy) on the Intercontinental Exchange (ICE), New York.

“In the global market, the going rate is 20-25 cents more than what the ICE futures quotes. Indian cotton is quoted some 10 cents above ICE. Therefore, prices are at par rather than the premium we witnessed earlier this month,” said Anand Popat, a Rajkot-based trader in cotton, yarn and cotton waste.

“Indian cotton is now aligning with market fundamentals of demand. It is a good trend from the industry’s point of

view,” said Prabhu Dhamodharan, Convenor, Indian Textpreneurs Federation (ITF).

Trade sources said prices have gained after reports that MCX will likely come out with new contract specifications for cotton futures on Friday. “We hear that MCX will launch futures for February, April, June and August. There will be some changes to the earlier specifications,” said Popat.

On August 26, MCX announced it was modifying its cotton contract specification and that no fresh position would be permitted for January 2023 and subsequent contracts. “Cotton prices which had dropped by ₹1,000 a



**HOPEFUL.** The reported move by MCX to introduce new cotton contracts has helped buoy the market

quintal on Monday have recovered on the news that MCX is set to revive cotton futures,” said Anil Ghanwat, President,

Swatantra Bharatiya Party, the political wing of Maharashtra farmers’ body Shektari Sanghatana.

China cancelled a record 1.45 lakh bales of contracts, the first since 2012, leading to negative sentiments in the market,” said Dhamodharan.

**RETAILS SALES DROP 30%** This is because China is facing turbulence in its own market. “China exports textile products valued at \$270 billion and its domestic consumption for textiles is \$300 billion,” he said. Such a big player facing problems and staying away from the market has led to a negative trend in the market first in the US and now in In-

dia, the ITF convenor said.

“Current prices have dragged the margin for spinners, while there is no parity for ginners. This has affected purchase of cotton,” said Popat. “With prices dropping and disappointing growers, they have begun to cut the amount of cotton they bring to the market,” said Ramanuj Das Boob, a sourcing agent for multinationals in Raichur, Karnataka.

Cotton prices have dropped globally since there has been a contraction of about 30 per cent in retail sales of global fashion companies. “November-end results show major contraction to the tune of 30 per cent for some global

brands in China due to Covid issues,” said Dhamodharan.

“Prices have gained a bit now after a sharp fall. Chances of any further sharp fall in cotton prices are remote,” said Popat. One of the reasons for the likely trend is that farmers are unwilling to sell cotton at low prices.

With Indian cotton prices now aligning with the fundamentals, export demand has re-emerged. “Demand has come from Bangladesh. We expect China and Vietnam to seek cotton from us soon,” said Popat. “We have got only a small order from Bangladesh for exports. Demand is yet to pick up to expected levels,” said Boob.