

Cotton prices firm up on short covering

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SHORT covering by exporters at the onset of the new cotton marketing season has seen prices of the cotton crop rise by Rs 1,500 per candy (256 kg) in last one month. The price has increased from Rs 22,000-25,000 per candy one month ago to Rs 24,000 now.

So far, export contracts for 16 lakh bales have been entered into. Of these, settlement for 3 lakh bales has taken place, indicating that exporters have booked losses on their position. Of the remaining contracts, exporters have to give delivery for 7 lakh bales, said sources. "Most of the exporters have sold their stock at a level of Rs 22,800-23,000. Now they are covering at the level of Rs 23,800 to 24,000," said an official of a leading exporting firm. "Because of good parity in exports two month back, some new entrants had entered in forward selling in the international market. Now when the time for delivery has arrived, they are in search of the stock," he said.

Most of the sellers have to supply cotton either in the later part of October or in the first fortnight of November. Vacation in ginning mills during Diwali too has caused scarcity of the processed goods in the market and provided support to the commodity. About 500 of the 1,000 ginning units in Gujarat have resumed work on Labh Pacham, while the rest have not yet started work due to lack of parity in the market.

Talking to ET, an official of Cotton Corporation of India (CCI) said: "Owing to buying by the exporters, the sentiment has improved in the past month. But the domestic buyers are by and large away from the market." The domestic buyers have bought about 3,000 bales at a price of Rs. 23,751 to perform muhurat trading on Pancham. A stock of 2,000 bales of February delivery of kalia (short staple) cotton was bought at a level of Rs 18,500.

"Although the mini vacation has ended and the ginners have resumed the work, domestic mills are unwilling to buy at current levels. Cotton prices went up sharply in the international market and a correction is expected," said Arun Dalal, a broker. With open market price of cotton well above the Minimum Support Price (MSP) even CCI is staying away from the market. However, with cotton available at parity at one of the centres in Gujarat, there was a token buying on Labh Pacham.