

Slippery ground ahead for cotton as arrivals rise

RUTAM VORA
Ahmedabad, 25 November

AS markets are flush with fresh arrivals, with dismal overseas buying taking place, cotton prices are taking a beating. What's more, participants anticipate a lull period in the commodity, which may see a fall in prices amid bumper crop projections. The country expects higher cotton production this year at about 36 million bales, as against 32.5 million last year.

The cotton arrivals in Gujarat markets have reached 42,000 bales (a bale=170 kg) a day. While at the national level, arrivals are seen at 100,000-120,000 bales a day. However, arrivals in major growing regions, including Gujarat, have been late by a month, mainly due to an extended monsoon this season. But, overseas buyers have remained slow, which has put additional pressure on prices in the domestic market.

The price in Gujarat markets stands in the range of ₹36,200-36,500 a candy (1 candy = 356 kg), nearly 10 per cent down from ₹39,000 a candy in June. In the international market, too, prices have seen a sharp decline from 165-170 cents per pound to 90-95 cents per pound.

"The prices are under severe pressure due to weak exports and

low domestic demand. International prices, too, have fallen. Hence, there is less incentive to sell in the international market," said Arun Dalal, an Ahmedabad-based trader. "If this continues, we may see prices falling to as low as ₹30,000-32,000 a candy by December-end."

Industry experts maintained that prices might be under pressure initially due to pressure of arrivals. "Cotton prices are expected to trade lower, both in India and overseas, for the short term. Similarly, on the ICE exchange, prices are likely to come down to \$84/lb," said Vimala Reddy, research analyst, Karvy Comtrade.

However, Reddy maintained that opportunities for India would be good in the current year, as production in the US, the world's third-largest producer, is projected to decline by 10 per cent compared to last year. "Chances of exports from India may come up as major producers are having lower opening stocks, while price rise is curbed by higher global production, which may rise seven per cent," added Reddy.

Meanwhile, in order to avoid prices from falling further, farmers are demanding central procurement agencies — the Cotton Corporation of India and the National Agricultural Cooperative Marketing Federation of India to start procurement