

Yarn prices rise 8% on foreign demand

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COTTON yarn prices rose eight per cent in a week due to renewed demand from both domestic as well international markets. The price of the benchmark 40-count is quoted at ₹200 a kg as against ₹185 a kg a week ago.

Traders say the demand of the textile raw material has gone up after orders flourished from neighbouring Bangladesh and China. Since, Prime Minister Manmohan Singh signed a

treaty with his Bangladesh counterpart last month, demand has jumped.

Under the treaty, 48 textile items are allowed to be imported duty-free from Bangladesh, which is boosting orders. Textile mills and readymade garment manufacturers in Bangladesh import raw materials from India and export the finished products back to India, after value addition.

"For Indian consumers, however, imported garments from Bangladesh are 20 per cent cheaper than the comparable

product from domestic origin. Cheap labour in Bangladesh is the major contributor for garments manufacturers to produce articles at a competitive price," said an importer.

Export demand has emerged from China, Bangladesh, Sri Lanka and Vietnam. Intensified cotton yarn demand has also been coming in from Egypt. "Since Diwali, cotton yarn prices have been weak due to sluggish demand, but in the last one , good export inquiries have come in, domestic demand from weavers has

emerged," said Bharat Malkan, a Mumbai-based cotton yarn trader. Bangladesh has also been importing cotton yarn from India as they do not have a strong base for raw materials.

Prices of cotton, the basic raw material for yarn, are around ₹35,000 a candy (356 kg) for the benchmark Shankar-6 variety. Mills are waiting for prices to fall further and will then increase their buying.

Traders expect prices of cotton to fall by another ₹2,000 a candy in the next few days.

Some traders believe prices

will face downward pressure, while others expect domestic demand to support the price of yarn.

"Currently, labour problems exist in the domestic textile hub of Bhiwandi. Once this problem is resolved, demand will increase further," Malkan said.

"Cotton yarn producers earlier were faced with high inventory, but now they have cut down on their production which has improved the situation," said D K Nair, secretary general of Confederation of Indian Textile Industry.