

Cotton prices begin to gain as positive signs emerge all around

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Cotton prices have begun to gain after having dropped sharply in the latter part of November and early part of December.

Prices are mainly driven by the emergence of export demand with Indian cotton turning cheaper than other origins and some domestic demand.

For example, Shankar-6, much sought after by buyers abroad, increased to Rs 36,500 a candy of 356 kg on Wednesday.

It had dropped to below Rs 34,000 early in December.

"There is demand for exports from China. Some demand has emerged from Bangladesh too," said Mr

M.P. Patel, Chairman of Rajkot-based Jaydeep Cotton Fibres.

DOMESTIC DEMAND

"Domestic demand has not shown any dramatic rise. Farmers are not willing to sell at lower prices. Therefore, exporters who are committed to delivery schedules are forced to buy," said Mr Anand A. Poppat, Managing Director of Jalaram Cotton and Proteins Ltd and Secretary of Saurashtra Ginners Association.

On ICE, cotton futures for March delivery rose by the exchange limit of 4 cents, or 4.4 per cent, to 95.8 cents a pound, the biggest gain since May 31.

Until last week, prices were hovering below 90

cents. "Big exporters are not buying. Only small exporters are buying and that too in limited quantity. But China has opened imports, leading to demand," said Mr Poppat.

DEMAND FROM CHINA

"We could get good demand from China since the Government there is buying locally grown cotton for its reserves. Therefore, textiles mills there are looking to India to meet their demand," Mr Poppat said.

Cotton prices in the spot market have firmed up on cues from the futures traded on the regional Surendranagar Exchange.

On the Multi Commodity Exchange, cotton January contracts increased 0.74 per cent to Rs 17,510 for a bale of

170 kg. March contracts were up at Rs 17,910. Export demand has emerged since Indian cotton is quoted at 91-92 cents a pound against nearly 110 cents a pound for Australian and Brazilian cotton.

"African and American cotton are quoted at 105 cents," said Mr Poppat, adding that the depreciation in rupee is one of the reasons for Indian cotton turning competitive.

Trade sources said that things are looking up for the entire textile chain, with the industry's demand for loan restructuring at an advanced state of bearing fruit.

The Finance Ministry is sympathetic towards the textile mills problems and banks have been asked to

prepare a report for RBI's consideration. According to a source, about 2,000 cotton textile mills, mainly in Tamil Nadu and Andhra Pradesh, could benefit from the loan restructuring.

On the other hand, the industry is also seeing movement in yarn. "Prices of yarn have increased by Rs 2-5 a kg," said Mr Poppat.

Prices may be gaining because of fears that the crop could be low, said Mr Patel.

"Fears are that the yield is lower and the crop this season could be around last year's level of 325 lakh bales," said Mr Patel.

"The situation now is that chances of prices dropping to levels seen in December are remote," said Mr Poppat.

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