

## Cotton farmers cash in on global price trend, sell 80% of this season's output

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### With arrivals dropping, ginning mills may end operations early

Cotton farmers in the country have taken advantage of higher global price for the natural fibre this season (October 2020-September 2021), resulting in at least 80 per cent of the production being sold till now.



As a result, most of the ginning mills in north and western parts of the country

that process kapas (raw cotton) into ginned cotton are likely to shut operations from April this year.

Most of the cotton produced this season have arrived across various markets in the country mainly since prices have ruled higher than the minimum support price (MSP) of ₹5,515 a quintal since the beginning of the October.

“Barring 15-20 per cent of kapas that some well-to-do farmers are holding, the rest of the production has arrived. These farmers always hold back and sell only during monsoon since they get a good price in the off-peak season,” said Rajkot-based Anand Poppat, a trader in raw cotton, yarn and spinning waste.

### Higher inflow

According to an estimate by the Cotton Association of India, a body of traders, arrivals till February 28 this year since October 1 were 298.89 lakh bales (of 170 kg).

The arrivals are against CAI's projection of the cotton crop production at 358.50 lakh bales against 360 lakh bales last season. The Committee on Cotton Production and Consumption (CCPC), a body representing all stakeholders in the textile industry including government officials, has estimated this season's crop at 371 lakh bales (358.50 lakh bales last season).

Arrivals have been higher despite record carryover stocks from last season. While CAI has pegged the carryover stocks at 115 lakh bales, the CCPC has estimated it at 97.95 lakh bales.

The main reason for prices ruling higher than MSP this year is because global prices have gained sharply since June last year in view of consumption being see higher than production.

For the current marketing year (August 2020-July 2021), the US Department of Agriculture has pegged global production at a four-year low, while consumption will be higher than production for the second consecutive year.

## **Prices gain**

Cotton prices in New York have gained nearly 11 per cent this year, according to the Trading Economics website. In fact, prices are off the highs over 90 cents a pound (₹51,700 a candy of 356 kg) seen late last month.

Currently, cotton in New York is quoted at 86.13 cents a pound (₹49,600 a candy), while Indian exporters are offering a benchmark Shankar-6 cotton at ₹45,900-46,200 a candy.

Indian cotton has been offered for exports at a competitive price of between ₹44,000 and ₹48,000 a candy this season. This helped kapas prices to increase in most of the market yards.

Kapas modal prices (rates at which most trades take place) in Gujarat's Rajkot agricultural produce marketing committee (APMC) yard is ruling at nearly ₹6,100 a quintal. "But quality cotton is getting as high as ₹6,700," said Poppat.

"This season, arrivals have been higher as farmers got good prices," said K Selvaraju, Secretary-General, Southern India Mills Association (SIMA), the apex body of textile mills in the South.

As a result of the high arrivals till February end, most farmers have run out of their produce or want to hold it back, expecting higher prices later on during the off-peak season starting May.

According to upcountry market sources, arrivals during March 1-15 were between one and 1.5 lakh bales daily. They have now dropped to 70,000-80,000 bales.

"Arrivals are less than one lakh bales these days. The other problem is that even low-quality cotton fetched higher prices. Since arrivals have dropped to below one lakh bales, we expect at least 50 per cent of the ginning mills to close operations by the end of this month," Poppat said.

"The quality of cotton this year is not as good as last year. Unseasonal rains have affected it," Selvaraju said.

Market sources said that many ginning factories are ending operations due to the low arrivals.

Poppat said one of the reasons for farmers rushing with their produce to the markets this year was last year's bitter experience when prices crashed after the novel Coronavirus (Covid-19) pandemic broke out.

"Farmers released cotton slowly and thus ginning mills functioned round the season last time," he said, adding this season farmers were quick to take advantage of the higher prices to dispose of their stocks.

## **Stocks, exports**

Of the total arrivals plus the carryover stocks, CAI has estimated consumption during October-January at 137.50 lakh bales, while mills are projected to hold stocks of 92.50 lakh bales.

Cotton Corporation of India (CCI), which bought nearly 100 lakh bales as part of the Centre's procurement plans, is reported to have stocks of 92.50 lakh bales, while ginners, multinational companies and MCX are estimated to have a total of 164.89 lakh bales with them.

According to Poppat, at least 44 lakh bales of cotton have been exported until last week. Last season, exports totalled 50 lakh bales and this season, they are projected to increased to 65 lakh bales.

Market sources said exports have slowed due to stronger rupee and non-availability of containers, while Poppat said container availability was the major issue. “Bangladesh is the largest buyer of Indian cotton followed by Vietnam, China and Turkey,” he said. Market sources said that of the stocks that CCI hold, some 42 lakh bales that were sold have not been lifted yet by the buyers. The total government stock, including by Maharashtra, could be 110 lakh bales, they said.

Cotton prices may not have much headroom to rise further as profit-booking has begun, Poppat said. “Speculators in the US have begun to cut their open positions,” he said.

Market sources said that the cotton market is witnessing correction due to fears over the impact of the second wave of Covid-19 and investors are booking profits.

**Source:** <https://www.thehindubusinessline.com/markets/commodities/cotton-farmers-cash-in-on-global-price-trend-sell-80-of-this-seasons-output/article34101039.ece>