Spinning mills turn cautious in buying cotton

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Spinning mills have turned chary in purchasing cotton as the current season is set to end in two-and-half months.

The mills are keen to avoid any liquidity problem.

"Being the end of the cotton season and with liquidity issues in the overall market, mills want to be careful with cotton purchases. Manmade and cellulosic fibre penetration has also helped mills to reduce their exposure to cotton," said Prabhu Dhamodharan, Convenor, India Texpreneurs Federation (ITF).

The cost factor is driving the fashion industry towards alternate fibres and reducing cotton consumption, he said.

SLACK DEMAND

Prices quoted by the Cotton Corporation of India (CCI), which has over 20 lakh bales (of 170 kg each) procured from farmers at minimum support prices this season, are a dampener despite slack demand, said Ramanuj Das Boob, a Raichur-based sourcing agent for domestic mills and multinationals and vice-president of All India Cotton Brokers Association.

"If traders buy cotton from CCI and resell it to mills on credit, the economy doesn't work out. So, they are also silent," he said.

"Lack of demand for yarn and declining prices are creating hurdles for the textile industry," said Rajkot-based Anand Popat, a cotton, yarn and cotton waste trader.

SPECULATORS BEARISH

Bearish speculators on the InterContinental Exchange, New York, are also responsible for dull trading in the domestic market despite the strong fundamentals, he said.

Cotton prices have declined over 10 per cent in 2024.

According to the Economic Research Service (ERS) of the US Department of Agriculture, global prices for 2024-25 season (August-July) are expected to decline for the third consecutive year.

Global production in 2024-25 is forecast at 119.1 million bales (226.8 kg), nearly 5 per cent higher than in 2023-24.

Brazil and the US are expected to harvest more, making up for the expected loss in China, India and Pakistan. Currently, December cotton futures on ICE are quoted at 72.60 cents a pound (₹50,000/candy of 356 kg).

On India's MCX, July cotton futures are ruling at ₹57,750 a candy. The price of Shankar-6, the benchmark for exports, was ₹57,900 on Monday.

At the Rajkot agricultural produce marketing committee, *kapas* (unprocessed cotton) was quoted at ₹7,625 a quintal.

On Monday, CCI cut its price by ₹500 a candy across all States, said Das Boob.

Dhamodharan said the six-month domestic consumption season begins in September.

"We expect better stability in the retail market. Already many retailers have indicated about same stores sale growth. They expect a good festival season this year," he said.