

Growers cheer as cotton prices head north on lower stocks, robust exports

Both spot and futures prices of the fibre have recorded a significant increase

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Cotton farmers have a reason to smile as the ensuing kharif harvest season is set to begin on a strong price note when compared with last year. Coupled with lower carry-over stock and better export prospects, cotton prices have firmed up in the domestic market.

As on Wednesday, prices in the domestic market hovered at around ₹22,349 for a bale (of 170 kg) of cotton. This is more than ₹2,000 higher from ₹20,246 on the same day last year.

The buoyancy in cotton prices is primarily driven by higher minimum support prices (MSP)

29mm cotton futures on NCDEX

(Delivery centre Rajkot)

December futures contract		October futures contract	
Date	Price (₹)	Date	Price (₹)
Sept 5, 2016	18,460	Sept 5, 2016	19,700
Sept 5, 2017	19,090*	Sept 5, 2017	19,320
Sept 4, 2018	23,610	Sept 4, 2018	23,310

Source: NCDEX

*November 2017 contract



coupled with a strong demand scenario and record low carry-over stock. The International Cotton Advisory Committee (ICAC), in its latest statement, said that the 2018-19 season is likely to see a 3 per cent decrease in production, 3 per cent increase in consumption, and a 10 per cent drop in global stocks. "This will bring the world's cotton reserves down to a level not seen since the 2011-12 season," ICAC noted. According to the global apex body, the decrease in stocks

world over will largely come from a draw-down in China's warehouses.

Already, the Cotton Association of India (CAI) has projected domestic stocks at the end of the 2017-18 season being at 22 lakh bales, which is said to be the lowest in about a decade.

"At about 20-22 lakh bales of carryover stock, India is having its lowest stock in the past decade. The trend is similar globally, resulting in further strengthening of

prices," said Arun Dalal, a leading cotton trader from Ahmedabad.

Spot and future up

The price trend in the spot market and in the futures has already started showing bullish signals. Spot cotton prices for 29 mm Rajkot delivery quoted above ₹22,000 — up ₹2,000 from what was seen around the same time last year.

Similarly, on the National Commodity and Derivatives Exchange of India (NCDEX), cotton prices were at ₹23,310 per bale for the October contract. Future prices remained higher by about ₹4,000 per bale from last year's levels. NCDEX data for the October 2017 contract showed that cotton futures on September 5 traded at ₹19,320 per bale.

In the international market, prices quoted lower at 82.22 cents, which is about 2 cents lower than what was seen last month.