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## Drop in global cotton prices to benefit textile exporters

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**By Nayan Dave**

Decreasing global prices of cotton coupled with depreciation of the Indian rupee against US dollar have provided much needed succour to the ailing textile industry.

Textile traders are anticipating fresh export orders, especially for fabrics in the next couple of months. Currently cotton prices are at a 20-month low and they are likely to go further down following large scale sowing in cotton producing states including Gujarat, Maharashtra, Madhya Pradesh, West Bengal, Punjab, Haryana, Karnataka, Andhra Pradesh, Tamil Nadu and Andhra Pradesh.

In fact, cotton brokers are anticipating a cooling off of cotton prices to below Rs 65,000 per candy (356 kg per candy) once the fresh cotton crop hits the market in October this year.

“Export demand for fabrics and ready-made garments is likely to witness growth in the wake of gradual reduction in cotton prices,” said an industry observer.

As far as garments are concerned, Bangladesh and Vietnam are the major gainers in international markets compared to India. These two countries are benefiting from China-plus-one policy adopted by European nations and the US.

Besides, disturbances in Sri Lanka too have resulted in diversion of exports business to both these nations, according to industry sources.

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Depreciation of the rupee against the US dollar is likely to bring windfall gains for Indian textile exporters as compared to their Chinese counterparts, claims Chhajed.

According to him, at present units working in the entire textile value chain are making losses due to existing raw-material inventories they have purchased at higher rates.

Vinay Thadani, CEO of Vishal Fabrics Limited, one of the leading denim makers in the country, said that competitiveness of denim exporters from India has improved significantly following continuous fall in cotton prices. “Denim exporters were finding it difficult to stand against Chinese competitors as raw material (cotton) rates went up from Rs 40,000 to Rs 50,000 to as high as Rs 1.10 lakh per candy in a span of the last 18 to 20 months.

Cotton sowing figures are encouraging and the textile industry is expecting an increase in cotton harvest this season. “Raw material will be available at cheaper rates and ultimately production cost will also go down,” says Thadani.

He however said that textile demand is likely to remain muted for a period of a month or two but after that the price of cotton is likely to stabilise.

Spinners, however, are not likely to benefit from falling cotton prices as prices of cotton yarn are decreasing faster than cotton, claimed Gautam Dhamsania, adding, “In this declining trend of cotton prices, weavers are demanding yarn at lower prices in anticipation of further fall in cotton rates. As far as spinners are concerned, they will be able to operate with profitability only after October once fresh stock of cotton will hit the market, ” he said.

He was however bullish over overall prospects for the textile industry as a whole including that of spinning segment in the long run following increase in cotton acreage under cultivation.