

# India Halts Cotton Exports to Cool Local Prices, Reducing Global Supplies

By Madelene Pearson - Apr 20, 2010 6:37 PM GMT+0530

India, the world's second-largest cotton grower, halted exports to boost domestic supplies and cool prices that have jumped 27 percent in the past year.

Registration of export contracts have been suspended from yesterday until "further orders," Textile Commissioner A.B. Joshi said by phone today. Those registered before yesterday and unused will need to be revalidated, according to a statement on the commissioner's Web site.



A file photograph shows a laborer resting on a pile of cotton inside a ginning mill in Rajkot, India. Photographer: Adeel Halim/Bloomberg

Cotton prices advanced in New York, adding to a 70 percent rally in the past year, on concern the halt on shipments by the Asian nation may worsen tight global supplies. World inventories will drop 19 percent in the year through July as demand rises 5.7 percent, the U.S. Department of Agriculture said on April 9.

"It tightens supply because the amount of cotton on the market globally has now been reduced by the decision," said Tobin Gorey, a commodities strategist at JPMorgan Chase & Co. in London. "Buyers will be looking elsewhere, including the U.S."

The price of long-staple cotton in India has advanced 27 percent to 7,958 rupees (\$179) per 100 kilograms in the past year, according to data on the Cotton Association of India's Web site. Cotton for July delivery added as much as 2.5 percent to 83.67 cents a pound on ICE Futures U.S., the highest level for a most-active contract since March 1.

China, the biggest cotton user, may face a shortage because of falling production and reduced global supplies, according to CNCotton.com. Consumption may exceed supply by 3.5 million tons in the year ending Aug. 31, and supply will

remain tight next year, Mei Yong, a director at the portal owned by China National Cotton Reserves Corp., said on April 16.

#### Chinese Orders

“South East Asian markets and our main buyer, China, will pass on their enquiries to the other countries where exports are allowed freely,” Kantilal V. Shah, chairman & managing director of exporter Gill & Co. Pvt. in Mumbai, said in e-mailed comments. “This could be at the cost of Indian cotton.” The company is unsure whether it will be able meet its sales commitments for April and May, he said.

Indian exporters have sought approval to ship 8.5 million bales of 170 kilograms each in the period October to April 15, according to data on the commissioner’s Web site. Traders have shipped about 6 million bales in the same period.

“By effectively removing a sizable portion of exportable supplies from the world balance sheet, this is likely to boost world prices as importers and exporters alike scramble to shift fiber sourcing.” FCStone Group, a U.S.-based commodity researcher, said in a report.

The textile commissioner will revalidate export contracts registered before yesterday, allowing shipments of unshipped quantities on a monthly pro-rata basis, it said in the note.

Cotton sales in the season started Oct. 1 may total 7.2 million bales, more than the 6.8 million bales of 170 kilograms predicted in March, the Cotton Association forecast on April 6.