Around Bombay Markets

Cotton Prices Decline

Thursday, Morning

COTTON prices continue to decline and there is no knowing yet how far the market might go down still further. The hedge contract April deliver) which had touched a high of Rs Oil per three quintals on December 22 was sold down to Rs 554 on February 14. The decline in spot pricey has been no less pronounced. Until ..about the middle of December mills had to ask the Textile Commissioner to help them in getting their raw material at the ceiling rates through requisitioning. Today many varieties of cotton go virtually abegging at Rs 50 to Rs 70 per candy below the. ceiling rates. Despite fairly good oil-take of cloth, mills are reluctant to utilise their quotas of indigenous cotton.

The increasing pressure of arrivals, the upward revision of crop estimates, a larger inflow of foreign cotton and acute financial stringency—all these factors have contributed to the decline in prices. Arrivals of cotton in Bombay between September 1 and February 2 are placed at 8.58,640 bales against 1.81,569 bales in the corresponding period last season, Stocks with mills. exporters and dealers in Bombay as on February 2 are reported at 5.43.909 bales against 3,75,399 bales a year ago. About 30 lakh to 35 lakh bales are estimated to have been marketed bv now. Ginning and pressing factories are fully stocked. The pre vailing stringency in the money market makes the holding of large stocks difficult and expensive. Growers' co-operative societies have asked New Delhi for financial assistance to tide over the situation created by the steep fall in prices.

The Fast India Cotton Association also seems considerably exercised over the fall in prices and it has urged the Textile Commissioner to do away with the quota system or at least to urge the mills to utilise their quotas within a specified period of time and suspend compulsory surveys. It has also requested the Government to allow the export of one lakh bales of Kalagin and Wapad. which, apart from being in ample supply have been slightly damaged in quality.

Concern Unwarranted

The Association's concern over the decline in prices is quite unwarranted. For even at the current rate of about Rs 555 the April hedge contract is just half way between the ceiling and floor prices of Rs 693 and Rs 417 respectively. Spot cotton prices are still nearer the ceiling than floor prices. While the quota system of mill buying and compulsory surveys could be easily dispensed with as long as prices remain well below the ceiling, the Association's plea for an export quota for Kalagin and Wagad needs careful consideration because-despite a largei crop of about 52/53 lakh bales the supply position of indigenous cotton cannot be considered very comfortable in view of the record low carryover from the previous season.

Industry's normal requirements oi indigenous cotton arc around 15/46 lakh bales and the consumption will go up if cloth output is to be increased by about 10 per cent as desired by the Government. A crop of 33/54 lakh bales should help the cotton textile industry to secure adequate cotton supplies at reasonable prices, make possible larger exports, help build a larger carryover and reduce the country's dependence on imports e\en if they come under P 1, 180. Far from being a source of any anxiety the recent fall in cotton prices is welcome. ft will enable the trade to function smoothly and also help industry to maintain the profit margin which has been affected by the reduction in ex-mill prices of cloth. But the danger is that cotton prices may not remain on the low side for long. The downward trend is likely to be reversed when the pressure of arrivals begins to ease after about the middle of March.

Bengal Deshi Quota

The Government has released for export a further quantity of 50.0(H) bales of Bengal Deshi of which 2.500 bales are reserved for co-operative societies and another 19.000 bales are earmarked for shippers who had participated in the December quota. The balance is allowed to be exported on a first-come-first-served basis. The new quota makes a departure from the previous quota released in December in certain respects. Export this time is not linked with the supply of cotton to the mills and the quality allowed for export is fine and above instead of superfine and above.

The export quota announcement has had not effect on the market where prices continue to drift lower. The quantity allowed falls short of the market's expectations. With overseas demand, mostly from Japan, fairly strong and business remunerative, the new export quota should get exhausted in a couple of days. The ceiling for the December quota for a like quantity was reached within two days of the announcement.

Oilseeds

Dull Affair

THE oilseeds market is having a dull time. Speculative activity has shrunk to negligible proportions. While groundnut February has been quoted above the ceiling rate of Rs 220 per 250 kilos since January 16. the May contract is only a little lower at around Rs 218.50. Few could be expected to take lively interest in groundnut futures when the margin is as heavy as Rs 10.000 per unit of trading 25 metric tons. Linseed and cottonseed have seldom been popular with the speculative community. Speculative interest therefore continues to centre mostly round castor but here also business is restricted be cause while export of castor oil continues to be unencouraging the bears are reluctant to he aggressive in face of a smaller crop around 1.10 lakh tons.

With even the inferior most qua lily of groundnut quoted at around Rs 2 10 per 250 kilos, there is hardly chance for futures to decline much below the ceiling; rate of Rs 220 during the season. The announcement regarding the import of soyabean oil from the U S has not had any effect on the market because the quantity which is likely to be im-

ported will be small around 3,000 to 3,500 tons. That is about all one million dollars can buy. In view of the right supply position groundnut prices can be expected to keep firm even if there is no export of ground nut oil this year.

Exports Slack

The export quota for 20,000 tons of groundnut expellers released towards the end of last month was exhausted within a few days but not much has been sold out of the 20,000-ton quota for groundnut 11 P S, the shipment period for which is valid up to the end of the year. Export business in ground nut extractions is reported to be rather poor and prices quoted by the foreign buyers are on the low-side. The latest U K quotation for extractions 50 per cent is mentioned around £27-17½ per ton. Locally also prices are easy because of increased crushing and slack off-take by the sugar factories. The output of extractions has increased appreciably in recent years and the foreign buyers seem to be a better position to bargain.

Export of groundnut oil and linseed oil remains at a standstill and the disparity between Indian and overseas prices is so large that there is no chance of any important business in the near-distant future except under some barter arrangements or through attractive incentive scheme. The outlook for castor oil, however, is not unencouraging even though the performance since the turn of the year has continued to be poor. By about the middle of February last year exporters had sold nearly 10,000 tons of castor oil whereas total business put through this year is hardly around 1,500 tons. But the disparity in castor oil prices is almost negligible. The U K is reported to have purchased some 700 tons of castor oil over the past two weeks, with Commercial fetching about £115-10 per ton.

New crop arrivals are gradually picking up and they might tell on the market if export business in oil continues to be poor. But if export business revives the market can be expected to record good recovery because castor looks cheap in comparison with groundnut.

Cottonseed have been subdued in sympathy with the pronounced weakness in cotton. Linseed, too. have been displaying an easy tendency since recently because of the crop movement in Hyderabad. It will be some time before arrivals gather momentum. Even so, linseed prices might not record any appreciable decline because of their relative cheapness compared to groundnut oil. Exporters continue to report moderate business in linseed cake at around $30-2-} per ton, the U K being mentioned as the chief buyer.

Stock Exchange

Cautious But Firm

THE stock market is cautious but linn. Uncertainty about the Central Budget has affected the turnover but not the general tone of the market which continues to be bullish. In view of the much bigger size of the third Plan the need for a larger tax effort is widely recognised. But the stock market seems convinced that Shri Morarji Desai is not the man who would do anything which might harm the cause of the private sector. Not in the pre-election year in any case. The market seems reconciled to an additional taxation of Rs 40 crores to Rs 50 crores in 1901-62 Budget. but mostly in the form of excise levies. Excise duties are unlikely to upset the market. The industries concerned might be affected if the excise levy becomes a direct burden.

The market has not yet started speculating on the Budget. It is difficult to say how the Budget rumours will influence the trading sentiment in the next two weeks. Budget proposals can certainly have a significant bearing on the outlook for equities but if one were to go by the recent performance of the market, equities could be expected to maintain an upward trend for many months to come. After a strong secondary correction between July-end and the beginning of October the market staged an impressive rally lasting up to the end of November. Thereafter it declined again and in the first week of January it came very close to the October low point. Equities have recorded an all-round handsome improvement from the January low-levels and the marker is back again near its November high. If the market were to cross the November high point technical analysts would be justified in taking the view that the market has resumed the major bull phase. Odd- are that the lowest prices recorded in January will not be seen again for a long time, un less, of course, the Budget turns out to be very bad from the marker an- "le.

The table below shows the rise in prices since the turn of the year.

Shares	January Low	February High	Closing on 14-2-1961
Century	446.00	494.50	490.00
Kohinoor	261.50	285.00	281.25
Svadeshi	221.50	245.00	244.50
Standard	972.00	1156.00	1118.00
Indian Iron	23.00	24.80	24 60
Tata Steel	138.00	148.00	146.00
Hindustan Motors	18.76	20.52	20.16
Bombay Burmah	539.50	567.00	556.50
Larsen Toubro	33.50	38.50	37.50
National Rayon	463.00	511.00	501.00
Tata Engineering	278.00	304.75	298.50
Tata Chemicals	16.56	18.64	18.00

Bullion

Move for New Contract

BULLION prices, continue to scale new highs. On February 10 gold Phagan delivery was bid up to Rs 122,75 per 10 grams and silver Phagan was done up to Rs 208.90 per kilogram. These prices work out to around Rs 145 a tola of gold and Rs 216 per 100 tolas of silver. Imports are banned and internal production of precious metals is negligible. But demand continues to be high. The position would be much worse but for the continued How of smuggled gold. Eloating stocks of both gold and silver, even when they are at their peak during the traditionally slack period, could be easily cornered by a few big professional speculators. Bullion prices have continued to rise despite heavy margins and with the demand and supply position being what it is. it is difficult to say how far the rise might go.

With supply limited, the futures market in bullion is all the time working under abnormal conditions. To facilitate smoother functioning of the market, the authorities are thinking in terms of a .six-monthly contract—Shravan Sud Punam and Posh Sud Punam. Sellers will be allowed to effect delivery at the end of each month and the buyers will have to absorb it. But bulls cannot insist on delivery except at the end of the contract. 'Shorts' can keep their sales alive by paying a 'budli of 50 nP per kliogram in silver and 25 nP per 10 grams of gold should the bulls press for delivery at the end of a month.

The suggestion for a six-monthly contract had been mooted once before quite a few years ago. But it had then been turned down by the State Government. The proposal might go through this time because it is believed to carry the blessings of the Forward Market Commission which is now the chief regulating authority. But if the six-monthly contract goes through it will reduce the bullion market into a gambling den. Why must there be a forward market in gold and silver when the supply is so very limited and there is no chance of augmenting it through imports?