



Fashion retailers plan further price hikes as cotton price climbs

Several retailers had hiked prices in December before launching their summer collections. However, given the steep rise in the price of cotton, a key input, these players may hike prices again.

DEVIKA SINGH | MAY 05, 2022 / 10:30 AM IST



Fashion retailers such as Shoppers Stop, Celio and Arvind Fashions plan to increase prices given the unabated rise in cotton prices, which has been worrying the industry for more than a year.

“Input costs have climbed significantly and we have no choice but to pass on the increase. We are taking measures to be cost-efficient but we cannot absorb the entire cost,” said Kulin Lalbhai, a director at Arvind Fashions and executive director at Arvind Limited.

Menswear retailer Celio also indicated that it would increase prices ahead of the launch of its next winter collection.

“If cotton prices remain as volatile as they are today, then we will make a 5-6 percent price hike, which will be in line with inflation,” said Satyen Momaya, CEO, Celio India.

Several apparel retailers had hiked prices in the range of 5-15 percent towards the end of 2021 as they struggled with high cotton prices. Departmental-store chain Shoppers Stop, for instance, had hiked prices by 10-12 percent. The company’s MD and CEO Venu Nair recently indicated that it might consider another round of price hikes.

Casual wear clothing such as denim has a large cotton component, which could be as high as 50 percent in value terms. Other clothing products such as t-shirts also contain 40-50 percent of cotton, while innerwear has 10-20 percent. Hence, a surge in cotton prices has a direct impact on these products.

Despite the price hikes, demand for apparel has remained strong, reported retailers.

“We had increased prices in October and we have not seen an impact on demand in the premium to mid-premium segment,” said Nair of Shoppers Stop.

Arvind Fashions, which hiked prices in February, has not seen a dent in demand because of the increase. The companies, however, have seen a demand dip in the value segment.

Why prices are rising

Tight global supplies, coupled with high demand in international markets, has led to a sharp jump in cotton prices. Prices of the commodity have been soaring for over a year now, much to the woe of fashion retailers.

According to Crisil, the cotton futures price on the Intercontinental Exchange (ICE) has gone to its highest level, surpassing \$1.5 per pound. In India, average prices hovered near Rs 8,220 per quintal as compared to Rs 5,728 per quintal last year, marking an increment of 45 percent on a year-on-year basis, said the ratings and research agency.

“The major reason for the significant jump in cotton prices is the estimated decline in ending stock of cotton at the global as well as India level,” said Pushan Sharma, Director, CRISIL Research.

“While the United States Department of Agriculture estimates a 6-7 percent decline in global ending stock for cotton in 2021-22, Cotton Corporation of India has estimated that the ending stock of cotton in India will be 45.46 lakh bales for 2021-22, a decline of 36 percent year-on-year,” he added.

International cotton prices, meanwhile, have risen to 150 cents per pound in the 2021-22 cotton season (October-September) as against 85 cents per pound in the previous season due to the decline in output of key producers, including China (also the largest consumer) and West Texas (the largest producer).

Cotton prices started climbing last year on account of supply-chain logjams, sanctions by the West on China’s textile hub, Xinjiang, and power shortages in China.

“While supply is constrained, demand has been strong due to the opening up of economies and this has been putting pressure on prices,” said Rajani Sinha, Chief Economist, CareEdge

While Indian apparel makers are struggling to source cotton and battling high prices on the one hand, exporters have rushed to plug the global supply shortage, on the other, and this has pushed prices of the commodity up further. The government is now weighing a temporary ban on cotton exports from India to check the rise in prices.