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**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

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## 2021: A Year of Amazing Volatility and Profits. 2022: A Year of Opportunities or Threat?

Popularly known as "COTTONGURU", Shri. Manish Daga is 4th generation from COTTONGURU® Group which has been in the cotton business since the last 115 years. He is the one and only registered "Chartered Cotton Valuer" in India. Shri. Daga has been a Speaker in more than 25 International and Domestic Textile

Conferences across five countries. He is an expert advisor and trainer for farmers, ginners and mills for marketing of Indian cotton. He has organised



### GUEST COLUMN

**Shri. Manish Daga**  
Managing Director, COTTONGURU

over 40 farmer training workshops, visiting more than 600 villages and personally meeting more than 20,000 cotton farmers. Shri. Daga is the promoter of "Swachha Cotton Abhiyan (Clean Cotton Mission)" and has created many "Pradarshan Khet (evidence-demonstration farm)" projects with the aim of doubling farmers' income and ensuring

uninterrupted supply of contamination free cotton for the textile industry. He is also a prolific writer. He is currently a Director of CAI.

The year 2021 has proven to be one of the best years in history for the Indian textile industry. The spread between cotton and yarn prices was as high as Rs.100/kg. Moreover, the honeymoon continued for a long time i.e. high spread was there for most of the year which has rarely happened before. This resulted in some extraordinary developments like:

1. All the textile mills in India were fully operational to their optimum capacity. Some new mills started while many closed or weak spinning mill units were restarted.
2. Many corporate groups declared plans for capacity expansion resulting in over booking of textile machinery which currently has a waiting period of over 12 months.
3. The Cotton Corporation of India was able to sell off over 200 lakh bales of new and old cotton within the first half of 2021 even when the prices were rising exorbitantly.
4. Domestic Shankar 6 cotton prices rose by nearly 65% while US ICE futures rose by over 45% during 2021.

5. The cotton closing stock by Sep 2021 fell from an estimated high of 125 lakh bales to nearly 65 lakh bales
6. Most importantly, consumption increase to over 345 lakh bales while production decreased to 350 lakh bales. In short, the production and consumption were nearly the same, which has happened for the first time in the 21st century.

## 2021 Was a Year of Over-Estimated Supply and Under-Estimated Demand

### Production woes in 2021 may cause pain in 2022:

India has been a cotton surplus country for decades. Cotton production has always exceeded consumption by a huge margin. As a result, domestic prices have been lower compared to international cotton prices leading to high cotton exports. The average cotton sowing area for cotton in the last 10 years is over 110 lakh hectares which is about 35% of the world cotton sowing area. With an average yield of about 2.75 to 3 bales per hectare, the production has stagnated to 330 to 360 lakh bales even when the area has increased to over 120 lakh hectares in last few years.

### Here comes the pain:

What if the average yield per hectare falls below 2.75 bales per hectare? This is what seems likely in 2021-22. The main reason is climate change. Unpredictable weather and erratic monsoon during 2021 have played havoc with the yield and quality of cotton in India. Late season rains in Nov, Dec and Jan have further worsened the scenario. This has led to major infestation in cotton like pink bollworm, boll rot, etc. and adversely affected the yield and grade of cotton. Increasing cost of agriculture has further worsened the situation of cotton farmers. High seed cotton prices during the new season 2021-22 were the only saving grace for the farmers.

### Increased consumption:

Cotton consumption in India has increased substantially in the last two years from 280 to 340 lakh bales following a huge gap in cotton and yarn prices from the 4th quarter of 2020 till end of 2021.

### Short sighted approach of consumers:

In spite of enjoying fantastic margins during 2021, the textile industry failed to realise that cotton production was becoming more and more unstable due to high expenses and lower yields. They decided to invest in expansion rather

than consolidation. The industry conveniently forgot that the gains were due to lower prices and surplus availability of cotton in India. The fragility of supply chain was exposed in the last quarter of 2021, when the cotton prices soared to historic heights. The textile industry is currently witnessing triple pains like lower production, deteriorating quality and rising prices.

Instead of realising that they needed to ensure the cotton supply by supporting the farmers, the textile industry started pressurising the Government for reducing the cotton prices. There were pitches for:

- a) Ban on export of cotton
- b) Removing import duty on cotton
- c) Ban on cotton and seed cotton futures
- d) Suggestion for Govt to create a cotton pool and cotton fund to keep a check on cotton prices.

The Government called two meetings (Nov 2021 and Jan 2022) to discuss on the above requests and advised the textile industry to manage its business in a better way.

All the suggestions seem very logical if one looks from the spinners perspective. The issue was aggravated when the weavers demanded the same for yarn. Spinners had no logical reply. This has been the situation of the textile industry for a long time.

Spinning mills have been crying that cotton prices have increased exorbitantly in the last month mainly because of speculation and rigging. While some part may be true, a leading textiles company who is a ginner, spinner and weaver, shared that even at current prices, the spinning mills are making profits. The pain is because margins have reduced from extraordinary high levels.

Ministry of Textile has reported that during April-December 2021, the total Textiles and Apparel including Handicrafts exports was about \$30 billion as compared to \$21 billion for the same period last year. This implies robust growth of approximately 40 % over last year. Export for Textiles and Apparel including Handicrafts has increased by 14.6 % from April- December 2021 as compared to the same period in pre-pandemic 2019, according to the ministry. Similarly, India garment exports grew 35% to 11.3 billion USD from April to Dec 2021.

India					170 Kg Bales	
	2019/20	2020/21 Est.	2021/22 Proj.		MoM	YOY
			Dec	Jan	Changes	Changes
Beginning Stock	11.01	20.71	17.20	17.20		-3.51
Production	36.48	35.33	35.84	35.20	-0.64	-0.13
Imports	2.92	1.08	1.28	1.28		0.20
Total Supply	50.41	57.11	54.32	53.68	-0.64	-3.43
Domestic Use	25.60	32.00	33.02	33.28	0.26	1.28
Exports	4.10	7.92	7.42	7.42		-0.50
Loss						
Total Demand	29.70	39.92	40.45	40.70	0.26	0.78
Ending Stock	20.71	17.20	13.88	12.98	-0.90	-4.22
Stock/Use Ratio	69.74%	43.09%	34.30%	31.89%	-2.42%	-11.20%
Source: USDA Unit : Million Bales Of 170 Kg.			Report Dated: 12-January-2022			

### In India, the irony remains that

1. Textile mills can make profits only when cotton prices are low
2. Farmers can make profits only when cotton prices are very high
3. Ginners and traders can make profits only when price volatility is in their favour.

There was no major cause for this hue and cry over rising cotton prices. The industry has failed to realise the importance of a strong and robust supply chain for a sustainable future.

The two major questions during 2022, are ironically the same as in 2021.

- a) What is the cotton crop in India?
- b) What will be the price trend?

The answers to both these questions are not the same as last year. The cotton crop, unlike last year, seems to be on the lower side in the range of 310 to 340 lakh bales.

The price in 2021 was expected to rise because of various reasons - cheap cotton, increased consumption and high international prices (refer Cottonguru article in Vyapar dt 20.2.2021). In 2022, we are already witnessing highest prices in the history of Indian cotton. That is the reason stakeholders need to be very careful. Demand

destruction, arrival of Brazilian crop and higher cotton sowing figures in the US may put pressure on cotton prices in the 2nd quarter of 2022.

### Will the prices rise further?

This depends on various factors including actual cotton crop, sustainable demand, international prices, pandemic lockdowns, economic growth, etc.

ICE cotton prices have gained by over 9% in January-till-date after posting a whopping return of 45% in 2021. The latest USDA WASDE report states that the cotton shortage during 2021-22 will be 3.28 million bales (490 lbs each) with supply at 120.96 and demand at 124.24. The shortage will be significantly higher in China, Pakistan and Turkey. The USDA still overestimates Indian cotton stock and cotton exports from India.

The cotton prices may correct if negative factors are active, but may not fall below a certain level in the first quarter of 2022. It is most important for the stake holders to manage their price risk effectively.

Happy trading!

*(The views expressed in this column are of the author and not that of Cotton Association of India)*

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# COTTON ASSOCIATION OF INDIA



**A CHILD'S CHILDHOOD IS FOR LEARNING  
DON'T USE THEIR CHILDHOOD FOR EARNING  
SAY NO TO CHILD LABOUR**



**COTTON  
ASSOCIATION  
OF INDIA**  
Established in 1921  
ISO 9001:2015

## CAI Team has Interactive Meeting with Shri. Piyush Goyal, Honourable Central Cabinet Minister of Commerce and Textiles on 5<sup>th</sup> February 2022



Shri Piyush Goyal called an interactive meeting in Mumbai organised by BSE and invited Mumbai's top 150 industrialists/exporters.

Five members from CAI, attended this meeting including CAI President, Shri. Atul Ganatra, Shri. Vinay Kotak, Shri. Shyam Makharia, Shri. Arun Sekhesaria and Shri. Manish Daga.

CAI President Shri. Atul Ganatra informed the Hon. Minister that India's cotton production has been at a standstill at around 350 lakh bales from the last few years while consumption is going up



year on year and we need to increase our cotton production.

CAI President suggested that the price ban on cotton seed must be removed so that the seed producers can do more research and supply new technology seeds to the farmers to improve the yield.

At present, India's cotton yield is 475 kg per hectare against the world average of 800 kg. If a country like Brazil can reach a cotton yield of 1800 kg per hectare through new seed technology, why can't India?

The Hon. Minister Shri. Piyush Goyal appreciated the inputs and said very soon we will bring new Hybrid seed technology in India.

He invited the CAI President to Delhi with more suggestions for increasing cotton production in India.



# Supply and Distribution of Cotton

01 February 2022

Seasons begin on August 1

Million Metric Tons

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>20.53</b>	<b>18.88</b>	<b>19.43</b>	<b>19.34</b>	<b>22.26</b>	<b>20.36</b>
China	12.65	10.35	9.03	8.88	9.02	9.30
USA	0.83	0.60	0.82	0.83	1.23	0.26
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>23.38</b>	<b>27.00</b>	<b>25.98</b>	<b>26.13</b>	<b>24.32</b>	<b>26.44</b>
India	5.86	6.35	5.66	6.20	6.02	6.16
China	4.90	5.89	6.04	5.80	5.91	5.73
USA	3.74	4.56	4.00	4.34	3.18	3.84
Brazil	1.53	2.01	2.78	3.00	2.36	2.71
Pakistan	1.66	1.80	1.67	1.32	0.89	0.98
Uzbekistan	0.96	0.96	0.64	0.53	1.03	0.94
Others	4.72	5.44	5.20	4.94	4.93	6.08
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>24.90</b>	<b>26.35</b>	<b>26.01</b>	<b>22.69</b>	<b>25.66</b>	<b>25.62</b>
China	8.28	8.50	8.25	7.23	8.40	8.20
India	5.15	5.42	5.40	4.45	5.70	5.48
Pakistan	2.22	2.35	2.36	1.98	2.15	2.15
Europe & Turkey	1.66	1.73	1.82	1.60	1.70	1.74
Bangladesh	1.41	1.66	1.58	1.50	1.64	1.73
Vietnam	1.17	1.51	1.51	1.45	1.52	1.67
Brazil	0.69	0.68	0.73	0.57	0.69	0.70
USA	0.71	0.70	0.63	0.47	0.52	0.56
Others	3.62	3.80	3.73	3.44	3.35	3.40
<b>EXPORTS</b>						
<b>WORLD TOTAL</b>	<b>8.29</b>	<b>9.14</b>	<b>9.28</b>	<b>9.20</b>	<b>10.60</b>	<b>10.27</b>
USA	3.33	3.64	3.37	3.47	3.63	3.27
Brazil	0.61	0.91	1.31	1.95	2.40	2.10
CFA Zone	1.00	1.06	1.16	1.07	1.18	1.36
India	0.99	1.13	0.76	0.70	1.33	0.94
Australia	0.81	0.85	0.79	0.30	0.34	0.81
Uzbekistan	0.38	0.22	0.16	0.10	0.01	0.01
<b>IMPORTS</b>						
<b>WORLD TOTAL</b>	<b>8.09</b>	<b>9.04</b>	<b>9.22</b>	<b>8.68</b>	<b>10.05</b>	<b>10.27</b>
China	1.10	1.32	2.10	1.60	2.80	2.52
Bangladesh	1.41	1.67	1.54	1.50	1.69	1.69
Vietnam	1.20	1.52	1.51	1.41	1.55	1.69
Turkey	0.84	0.96	0.79	1.02	1.16	1.17
Indonesia	0.74	0.77	0.66	0.55	0.50	0.54
TRADE IMBALANCE †	-0.20	-0.10	-0.06	-0.52	-0.55	0.00
STOCKS ADJUSTMENT ‡	0.07	0.00	0.00	-0.01	0.00	0.00
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>18.88</b>	<b>19.43</b>	<b>19.34</b>	<b>22.26</b>	<b>20.36</b>	<b>21.19</b>
China	10.35	9.03	8.88	9.02	9.30	9.32
USA	0.60	0.82	0.83	1.23	0.26	0.28
<b>ENDING STOCKS/MILL USE (%)</b>						
<b>WORLD-LESS-CHINA *</b>	<b>51.31</b>	<b>58.29</b>	<b>58.86</b>	<b>85.58</b>	<b>64.07</b>	<b>68.13</b>
<b>CHINA **</b>	<b>125.03</b>	<b>106.27</b>	<b>107.69</b>	<b>124.82</b>	<b>110.77</b>	<b>113.72</b>
<b>COTLOOK A INDEX***</b>	<b>82.77</b>	<b>87.98</b>	<b>84.35</b>	<b>71.33</b>	<b>84.96</b>	

† The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

‡ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

\* World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.

\*\* China's ending stocks divided by China's mill use, multiplied by 100.

\*\*\* U.S. Cents per pound. Average price for a given season, August 1 to July 31 or average-to-date.

Source : Cotton This Month, February 01, 2022



## Since 1921, we are dedicated to the cause of Indian cotton.

Just one of the reasons, you should use our Laboratory Testing Services.

The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centres in India and are equipped with:

- State-of-the-art technology & world-class Premier and MAG cotton testing machines
- HVI test mode with trash% tested gravimetrically

### LABORATORY LOCATIONS

**Current locations :** • **Maharashtra :** Mumbai; Yavatmal; Aurangabad; Jalgaon • **Gujarat :** Rajkot; Ahmedabad • **Andhra Pradesh :** Adoni  
• **Madhya Pradesh :** Khargone • **Karnataka :** Hubli • **Punjab :** Bathinda • **Telangana:** Warangal, Adilabad



### COTTON ASSOCIATION OF INDIA

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UPCOUNTRY SPOT RATES								(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimetres based on Upper Half Mean Length [ By law 66 (A) (a) (4) ]								Spot Rate (Upcountry) 2020-21 Crop January - February 2022					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	31st	1st	2nd	3rd	4th	5th
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	14201 (50500)	14201 (50500)	14060 (50000)	13919 (49500)	13919 (49500)	13919 (49500)
								Spot Rate (Upcountry) 2021-22 Crop					
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	15072 (53600)	15157 (53900)	15157 (53900)	15157 (53900)	15297 (54400)	15297 (54400)
2	P/H/R (SG)	ICS-201	Fine	Below 22mm	5.0 – 7.0	4.5%	15	15241 (54200)	15325 (54500)	15325 (54500)	15325 (54500)	15466 (55000)	15466 (55000)
3	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	13%	20	-	-	-	-	-	-
4	KAR	ICS-103	Fine	23mm	4.0 – 5.5	4.5%	21	-	-	-	-	-	-
5	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	18081 (64300)	18362 (65300)	18643 (66300)	18784 (66800)	18981 (67500)	18981 (67500)
6	P/H/R (U) (SG)	ICS-202	Fine	27mm	3.5 – 4.9	4.5%	26	20246 (72000)	20387 (72500)	20190 (71800)	20106 (71500)	20528 (73000)	20528 (73000)
7	M/M(P)/SA/TL	ICS-105	Fine	26mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
8	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	20584 (73200)	20724 (73700)	20528 (73000)	20443 (72700)	20865 (74200)	20865 (74200)
9	M/M(P)/SA/TL/G	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	-	-	-	-	-	-
10	M/M(P)/SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	-	-	-	-	-	-
11	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	20865 (74200)	21006 (74700)	20809 (74000)	20724 (73700)	21146 (75200)	21146 (75200)
12	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	-	-	-	-	-	-
13	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.5	3.5%	27	-	-	-	-	-	-
14	GUJ	ICS-105	Fine	28mm	3.7 – 4.5	3%	27	-	-	-	-	-	-
15	R(L)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	20724 (73700)	20809 (74000)	20528 (73000)	20443 (72700)	20865 (74200)	20865 (74200)
16	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.5	3.5%	28	21793 (77500)	21793 (77500)	21793 (77500)	21793 (77500)	22074 (78500)	22074 (78500)
17	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	21849 (77700)	21849 (77700)	21849 (77700)	21849 (77700)	22130 (78700)	22130 (78700)
18	GUJ	ICS-105	Fine	29mm	3.7 – 4.5	3%	28	21652 (77000)	21652 (77000)	21652 (77000)	21652 (77000)	21934 (78000)	21934 (78000)
19	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.5	3.5%	29	22355 (79500)	22355 (79500)	22355 (79500)	22355 (79500)	22637 (80500)	22637 (80500)
20	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.5	3%	29	22496 (80000)	22496 (80000)	22496 (80000)	22496 (80000)	22777 (81000)	22777 (81000)
21	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	22777 (81000)	22777 (81000)	22777 (81000)	22777 (81000)	23058 (82000)	23058 (82000)
22	SA/TL/K / TN/O	ICS-105	Fine	31mm	3.7 – 4.5	3%	30	22861 (81300)	22861 (81300)	22861 (81300)	22861 (81300)	23143 (82300)	23143 (82300)
23	SA/TL/K/ TN/O	ICS-106	Fine	32mm	3.5 – 4.2	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)
24	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	30932 (110000)	30932 (110000)	30932 (110000)	30932 (110000)	30088 (107000)	30088 (107000)
25	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	31213 (111000)	31213 (111000)	31213 (111000)	31213 (111000)	30932 (110000)	30932 (110000)
26	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	31494 (112000)	31494 (112000)	31494 (112000)	31494 (112000)	30651 (109000)	30651 (109000)
27	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	32900 (117000)	32900 (117000)	32900 (117000)	32900 (117000)	32619 (116000)	32619 (116000)

(Note: Figures in bracket indicate prices in Rs./Candy)