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PRESIDENT'S DESK

China Cotton and Cotton Yarn Imports – June 2026

- China imported a total of 110,000 tons of cotton in June 2026, 294.9% more than in the same period of last year.
- China imported a total of 170,000 tons of cotton yarn in June 2026, 54.2% more than in the same period of last year.

Policy Recommendations

Micro, Small and Medium Enterprises form the backbone of India's textile value chain and generate substantial employment across the country. However, many MSMEs continue to face difficulties in accessing working capital, bank guarantees and letters of credit. Facilitating easier access to finance can significantly enhance their competitiveness and enable them to capitalize on emerging opportunities arising from global trade. At the same time, periodic review of compliance requirements, including those associated with the Reverse Charge Mechanism, can help reduce administrative burdens and improve ease of doing business.

Global Oil Price Surge: Causes, Economic Implications and Outlook

Shri. Anil Kumar Bhansali, Head of Treasury, Finrex Treasury Advisors LLP, has a rich experience in Banking and Foreign Exchange for the past 36 years. He was a Chief Dealer with an associate bank of SBI.

EXPERT'S COLUMN



Shri. Anil Kumar Bhansali
Head of Treasury,
Finrex Treasury Advisors LLP

What Triggered the Recent Oil Price Rally?

1. Escalation of Middle East Geopolitical Risks

The principal catalyst has been the sharp escalation of geopolitical tensions in the Middle East, which accounts for nearly one-third of global crude oil production. Financial

markets have increasingly priced in the possibility that regional conflicts could disrupt oil production, storage facilities or export infrastructure.

2. Concerns over the Strait of Hormuz

The Strait of Hormuz remains the world's most important oil transit route, with roughly 20% of global oil consumption transported through this narrow waterway. Even in the absence of actual supply disruptions, the perceived risk of interruptions has significantly increased the geopolitical premium embedded in crude prices.

3. Concerns over Other Key Shipping Routes raising shipping and Insurance costs

Beyond the Strait of Hormuz, markets have become increasingly concerned about the security of other strategic maritime routes

Executive Summary

Global crude oil markets have witnessed a sharp rally over the past two weeks, with Brent crude prices rising by more than 25% and briefly crossing the \$100 per barrel threshold (rising upto \$ 102 per barrel). The increase has been driven primarily by geopolitical developments in the Middle East rather than a structural imbalance between global demand and supply. The emergence of a sizeable geopolitical risk premium has raised concerns over inflation, global growth, financial market stability and central bank policy.

Although the correction in prices towards the end of the week eased immediate concerns, the oil market remains highly vulnerable to geopolitical developments. If elevated crude prices persist over the coming months, they could materially alter the global macroeconomic outlook.

across the Middle East. The Bab el-Mandeb Strait, which connects the Red Sea to the Gulf of Aden, together with shipping lanes through the Red Sea, Gulf of Oman, and the Arabian Sea, are critical arteries for the transportation of crude oil, liquefied natural gas (LNG), and other commodities.

Any disruption to these routes—whether due to military conflict, attacks on commercial vessels, or heightened security risks—can delay shipments and increase transportation costs. Shipping companies may be forced to reroute vessels around the Cape of Good Hope, significantly extending voyage times, increasing fuel consumption, and reducing the availability of tankers.

As a result, freight charges, marine insurance premiums, and war-risk surcharges have risen sharply. These higher logistics costs ultimately translate into higher delivered crude prices, even in the absence of any actual disruption to oil production. Consequently, the market has incorporated an additional geopolitical and transportation risk premium into global oil prices.

4. Precautionary Inventory Accumulation

Oil refiners, importers and strategic reserve managers have increased purchases to safeguard against potential supply shortages. This precautionary demand has tightened near-term physical markets and reinforced upward price momentum.

5. Financial Market Positioning

Commodity funds and speculative investors have substantially increased long positions in crude oil futures. Momentum-driven buying and short covering further amplified the rally once Brent moved through important technical resistance levels.

Global Macroeconomic Implications

Inflationary Pressures

Oil remains a critical input across transportation, manufacturing, agriculture, aviation and petrochemicals. Sustained increases in crude prices raise production and logistics costs, which eventually pass through to consumer prices. A prolonged period of elevated oil prices could slow the recent disinflation trend observed across many advanced economies.

Slower Global Growth

Higher fuel costs reduce household disposable incomes and corporate profitability. Consumers divert spending towards essential energy expenditures, while businesses face increased operating costs. Consequently, private consumption, industrial production and investment may weaken, leading to slower global GDP growth.

Monetary Policy Challenges

Central banks have made considerable progress in bringing inflation under control. However, a renewed energy price shock could delay the easing cycle. The US Federal Reserve, European Central Bank, Bank of England and several emerging market central banks may keep policy rates higher for longer if energy-driven inflation persists.

Pressure on Oil-Importing Economies

Countries heavily dependent on imported crude—including India, Japan, South Korea and much of Europe—face higher import bills, wider current account deficits and increased currency pressures. Central banks may need to intervene more actively in foreign exchange markets while balancing inflation and growth objectives.

Financial Market Impact

Persistently high oil prices generally lead to greater volatility across financial markets.

Likely beneficiaries include:

- Upstream oil and gas companies
- Energy service providers
- Defence companies
- Select commodity producers

Sectors likely to face headwinds include:

- Airlines
- Transportation and logistics
- Chemicals and petrochemicals
- Paints and consumer discretionary industries
- Energy-intensive manufacturing
- Refining oil companies

Government bond markets may also experience upward pressure on yields as investors reassess inflation expectations.

Implications for India

India is among the world's largest crude oil importers, importing more than 85% of its oil requirements. Consequently, higher crude prices have significant macroeconomic implications.

Persistent oil prices above \$100 per barrel could:

- Increase imported inflation.
- Widen the current account deficit.
- Put depreciation pressure on the Indian rupee.
- Raise government bond yields through higher inflation expectations.
- Increase fiscal pressures if fuel taxes are reduced or subsidies expanded.
- Weigh on corporate earnings in fuel-intensive sectors.

The impact on India has been amplified by the sharp rise in the Indian Basket of Crude Oil (at \$ 103.33 per barrel on 23/07/2026), the benchmark used to measure the country's import cost. Over the past two weeks, the Indian crude basket has risen broadly in line with international crude prices, reflecting the increase in Brent and other benchmark grades. Since India imports more than 85% of its crude oil requirements, a sustained increase in the Indian crude basket directly raises the country's import bill, widens the current account deficit, exerts depreciation pressure on the Indian rupee, and increases imported inflation. If elevated prices persist, they could also put upward pressure on domestic fuel prices, government bond yields, and fiscal balances, particularly if the government opts to cushion consumers through lower fuel taxes or higher subsidies.

However, India's substantial foreign exchange reserves, improving external sector resilience and proactive Reserve Bank of India (RBI) intervention can help cushion short-term volatility in financial markets.

What Should Investors Watch?

The next phase of the oil market will depend on several key variables:

- Developments in the Middle East and the risk of broader regional escalation.
- The security of shipping through the Strait of Hormuz.
- Production decisions by OPEC+.
- US shale oil output and inventory trends.
- Global demand conditions, particularly in China and the United States.
- The response of major central banks to any renewed inflationary pressures.

Outlook

The recent surge in crude oil prices appears to be driven predominantly by geopolitical risk rather than deteriorating supply-demand fundamentals. Consequently, prices could retrace if geopolitical tensions ease and energy exports continue without significant disruption.

Nevertheless, downside risks remain limited while geopolitical uncertainty persists. Any disruption to production or shipping routes could quickly propel Brent crude well above recent highs and materially worsen the global inflation outlook.

Overall, the recent oil price shock represents a significant macroeconomic risk. While the global economy is better positioned today than during previous oil crises—owing to stronger bank balance

sheets, diversified energy sources and improved monetary policy credibility—a prolonged period of elevated oil prices would still reduce global growth, complicate inflation management and increase volatility across currencies, bonds, equities and commodity markets.

How does the Surge in Oil Prices Impact cotton producers:

Will surge in oil prices affect man-made fibre and will be a boon for cotton fibre textiles?

A sustained surge in crude oil prices generally hurts man-made fibres (MMF) more than cotton, making cotton textiles relatively more competitive. However, the extent depends on how long oil prices remain elevated and whether cotton prices also rise.

Impact on man-made fibres (MMF)

Most synthetic fibres are derived from petroleum products:

For eg.: Polyester → Purified Terephthalic Acid (PTA) and Monoethylene Glycol (MEG), both linked to crude oil and natural gas. Nylon → Derived from petrochemicals. Acrylic → Produced from propylene, another petroleum derivative.

Thus, When crude oil prices rise:

Feedstock costs for PTA, MEG and other petrochemicals increase. Production costs for polyester, nylon and acrylic increase. Textile manufacturers face higher raw material costs. If these higher costs cannot be fully passed on to consumers, profit margins come under pressure.

What is the Impact on cotton:

Cotton is a natural fibre, so it is not directly linked to crude oil prices. However, Cotton cultivation still uses diesel, fertilizers and transportation, all of which become more expensive when oil rises. Therefore, cotton production costs may also increase, but typically much less than synthetic fibres over the short term.

Relative competitiveness

If:

Brent crude remains above \$100-110 per barrel, and Cotton prices remain relatively stable then:

The price gap between polyester and cotton narrows. Apparel brands may shift some sourcing toward cotton. Consumers may also prefer cotton if the price difference becomes smaller. This happened during previous periods of high oil prices, including 2007-08 and parts of 2022, when polyester prices rose sharply relative to cotton.

Beneficiaries

A prolonged period of high oil prices could benefit: Cotton growers, Cotton ginners, Cotton

spinning mills, Cotton fabric and garment exporters - provided cotton availability remains adequate and prices do not spike excessively.

Indian textile sector

For India: India is one of the world's largest cotton producers. The country has an integrated cotton textile value chain. Indian cotton textile exporters could become relatively more competitive in export markets if synthetic textile costs rise globally. However, there are offsets:

Higher crude also raises freight costs. Electricity and fuel costs increase. Dye and chemical costs rise. Overall manufacturing costs increase for all textile producers.

Will it be a major boon?

The answer depends on the duration of the oil rally: Short-lived oil spike (a few weeks): Limited impact, as manufacturers often use existing inventories and hedging.

Oil stays above \$100-110 for several months: Positive for cotton's competitiveness, with a more meaningful shift in demand from synthetics. Oil above \$120-130 for a prolonged period: The advantage for cotton could become significant, although weaker global consumer demand due to high energy costs could offset some of the benefit.

Overall assessment

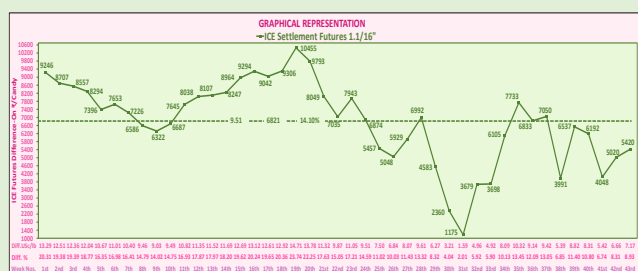
A sustained rise in crude oil prices is generally negative for man-made fibre producers, because their primary raw materials become more expensive. It is relatively positive for cotton textiles, as cotton becomes more cost-competitive against synthetic fibres. For India, this could provide an opportunity for cotton yarn, fabric, and apparel exporters, although the net benefit would depend on global demand, cotton crop conditions, and how long elevated oil prices persist.

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

Basis Comparison of ICS 105 with ICE Futures – 27th July 2026

SEASON 2025-2026							
Comparison M/M(P) ICS-105, Grade Fine, Staple 29mm, Mic. 3.7-4.9, Trash 3.5%, Str./GPT 28 with ICE Futures							
Date	CAI (₹ /Candy)	Conversion Rate (US\$ = ₹)	CAI (US\$/lb.)	ICE Settlement Futures 1.1/16" Front Mth. Dec'26 (US\$/lb.)	Difference-ON/OFF ICE Futures		
					US\$/lb.	₹ /Candy	%
A	B	C	D	E	F	G	H
Cotton Year Week No-43 rd							
20 th Jul 2026	65800	96.45	87.02	78.92	8.10	6125	10.26
21 st Jul 2026	65800	96.24	87.21	80.42	6.79	5123	8.44
22 nd Jul 2026	66200	96.57	87.44	81.11	6.33	4793	7.80
23 rd Jul 2026	66300	96.57	87.57	81.21	6.36	4815	7.83
24 th Jul 2026	66800	96.57	88.23	79.98	8.25	6246	10.32
Weekly Avg.	66180	96.48	87.49	80.33	7.17	5420	8.93
Total Avg. frm 1 st Wk to 43 rd Wk (Weekly)	57384	92.06	79.38	69.87	9.51	6821	14.10

Note:- Weeks taken as per Cotton Year (October To September).

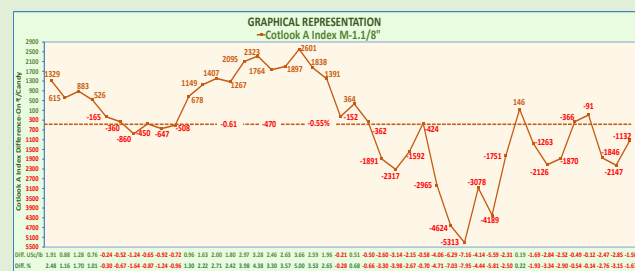


Basis Comparison of ICS 105 with Cotlook A Index – 27th July 2026

SEASON 2025-2026							
Comparison M/M(P) ICS-105, Grade Fine, Staple 29mm, Mic. 3.7-4.9, Trash 3.5%, Str./GPT 28 with Cotlook A Index							
Date	CAI (₹ /Candy)	Conversion Rate (US\$ = ₹)	*CAI (US\$/lb.)	Cotlook A Index M-1.1/8" C & F FE Ports	Difference-ON/OFF Cotlook A Index		
					US\$/lb.	₹ /Candy	%
A	B	C	D	E	F	G	H
Cotton Year Week No-43 rd							
20 th Jul	65800	96.45	87.22	87.65	-0.43	-325	-0.49
21 st Jul	65800	96.24	87.41	88.00	-0.59	-445	-0.67
22 nd Jul	66200	96.57	87.64	89.60	-1.96	-1484	-2.19
23 rd Jul	66300	96.57	87.77	90.35	-2.58	-1953	-2.86
24 th Jul	66800	96.57	88.43	90.35	-1.92	-1454	-2.13
Weekly Avg.	66180	96.48	87.69	89.19	-1.50	-1132	-1.67
Total Avg. frm 1 st Wk to 43 rd Wk (Weekly Basis)	57384	92.06	79.58	80.19	-0.61	-470	-0.55

Note:- Weeks taken as per Cotton Year (October To September).

*Converted to C & F FE Ports by adding 20c/lb. to CAI spot rates.





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minimizes
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better productivity



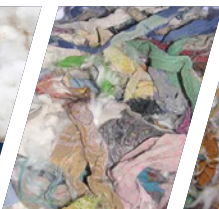
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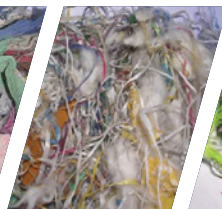
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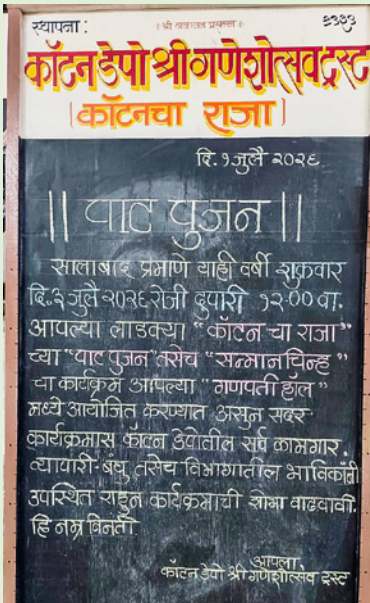
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SCIENTIFIC TESTING | IMPARTIAL RESULTS | STRENGTHENING THE INDIAN COTTON INDUSTRY

Glimpses of Padya Poojan of Lord Ganesh on 3rd July 2026





UPCOUNTRY SPOT RATES								(Rs./Qtl)					
Standard Descriptions with Basic Grade & Staple in Millimeters based on Upper Half Mean Length As per CAI By-laws								Spot Rate (Upcountry) 2025-26 Crop July 2026					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Gravimetric Trash	Strength /GPT	20th	21st	22nd	23rd	24th	25th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 – 7.0	4%	15	14819 (52700)	14819 (52700)	14819 (52700)	14819 (52700)	14819 (52700)	
2	GUJ	ICS-102	Fine	22mm	4.0 – 6.0	15%	20	12626 (44900)	12626 (44900)	12766 (45400)	12795 (45500)	12879 (45800)	H
3	M/M (P)	ICS-104	Fine	23mm	4.5 – 7.0	4%	22	15213 (54100)	15213 (54100)	15297 (54400)	15382 (54700)	15522 (55200)	
4	P/H/R(U)	ICS-105	Fine	27mm	3.5 – 4.9	4%	26	16759 (59600)	16759 (59600)	16928 (60200)	16984 (60400)	17125 (60900)	
5	M/M(P)/ SA/TL/GUJ	ICS-105	Fine	27mm	3.0 – 3.4	4%	25	15213 (54100)	15213 (54100)	15297 (54400)	15382 (54700)	15410 (54800)	
6	M/M(P)/ SA/TL	ICS-105	Fine	27mm	3.5 – 4.9	3.5%	26	16759 (59600)	16759 (59600)	16844 (59900)	16984 (60400)	17041 (60600)	O
7	P/H/R(U)	ICS-105	Fine	28mm	3.5 – 4.9	4%	27	17406 (61900)	17406 (61900)	17575 (62500)	17631 (62700)	17772 (63200)	
8	M/M(P)	ICS-105	Fine	28mm	3.7 – 4.9	3.5%	27	18109 (64400)	18109 (64400)	18222 (64800)	18362 (65300)	18503 (65800)	
9	SA/TL/K	ICS-105	Fine	28mm	3.7 – 4.9	3.5%	27	18081 (64300)	18081 (64300)	18194 (64700)	18278 (65000)	18390 (65400)	L
10	GUJ	ICS-105	Fine	28mm	3.7 – 4.9	3.5%	27	18081 (64300)	18081 (64300)	18165 (64600)	18250 (64900)	18390 (65400)	
11	R(L)	ICS-105	Fine	28mm	3.7 – 4.9	4%	27	17434 (62000)	17434 (62000)	17631 (62700)	17687 (62900)	17828 (63400)	
12	R(L)	ICS-105	Fine	29mm	3.7 – 4.9	3.5%	28	18306 (65100)	18306 (65100)	18503 (65800)	18559 (66000)	18587 (66100)	
13	M/M(P)	ICS-105	Fine	29mm	3.7 – 4.9	3%	28	18503 (65800)	18503 (65800)	18615 (66200)	18643 (66300)	18784 (66800)	I
14	SA/TL/K	ICS-105	Fine	29mm	3.7 – 4.9	3%	28	18306 (65100)	18306 (65100)	18419 (65500)	18475 (65700)	18587 (66100)	
15	GUJ	ICS-105	Fine	29mm	3.7 – 4.9	3%	28	18362 (65300)	18362 (65300)	18447 (65600)	18531 (65900)	18672 (66400)	
16	M/M(P)	ICS-105	Fine	30mm	3.7 – 4.9	3%	29	18728 (66600)	18728 (66600)	18840 (67000)	18897 (67200)	18953 (67400)	D
17	SA/TL/K/O	ICS-105	Fine	30mm	3.7 – 4.9	3%	29	18643 (66300)	18643 (66300)	18756 (66700)	18812 (66900)	18925 (67300)	
18	M/M(P)	ICS-105	Fine	31mm	3.7 – 4.9	3%	30	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	
19	SA/TL/K/ TN/O	ICS-105	Fine	31mm	3.7 – 4.9	3%	30	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	A
20	SA/TL/ K / TN/O	ICS-106	Fine	32mm	3.5 – 4.9	3%	31	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	N.A. (N.A.)	
21	M/M(P)	ICS-107	Fine	34mm	2.8 - 3.7	4%	33	23536 (83700)	23536 (83700)	23536 (83700)	24324 (86500)	24267 (86300)	
22	K/TN	ICS-107	Fine	34mm	2.8 - 3.7	3.5%	34	23902 (85000)	23902 (85000)	23902 (85000)	24324 (86500)	24464 (87000)	Y
23	M/M(P)	ICS-107	Fine	35mm	2.8 - 3.7	4%	35	24549 (87300)	24549 (87300)	24549 (87300)	24858 (88400)	24858 (88400)	
24	K/TN	ICS-107	Fine	35mm	2.8 - 3.7	3.5%	35	24605 (87500)	24605 (87500)	24605 (87500)	25027 (89000)	25027 (89000)	

Note:

a) P/H/R(U) ICS-202(SG) is lower by Rs.1000/- pc than Sr. No.4.

b) Figures in bracket indicate prices in Rs./Candy

c) Effective 22nd July 2026:

• GUJ ICS-105 (28mm): Gravimetric Trash % revised from 3% to 3.5%.

• M/M(P) ICS-105 (29mm): Gravimetric Trash % revised from 3.5% to 3%.