



GUJCOT TRADE ASSOCIATION

ANNUAL REPORT

2021-2022



Greetings and well wishes to all cotton friends for new cotton season 2022-23 from Gujcot Trade Association.

I am happy to inform you that Gujcot Trade Association has completed five years of its establishment. I feel proud for the services and information provided to our cotton trade by Gujcot Trade Association during this period.

Today I take opportunity to thank everyone who have contributed in daily working as well as growth of this association specifically brokers for daily spot rate, volunteers who helped us collect monthly pressing data, Ginners for providing their pressing data and also sponsors of Gujcot reports.

Once again, I wish everyone a productive new season.

Thank you

Akash Shah

President



Dear cotton friends.

On completion of five years of Gujcot Trade Association I am immensely satisfied with the activities we performed and services we rendered to the whole cotton value chain during our short journey. During these five years journey Gujcot Trade Association has worked very closely with regional ginners associations, Gujarat spinners Association, Ginners, traders and brokers from all regions. I am thankful for their contribution in our successful journey. I am very hopeful that in another five years Gujcot Trade Association will add many other activities and services for the betterment of the cotton trade. I am proud to say that with the support of many trade people we were able to set a new standard of reporting cotton related information and data in India.

Gujcot is publishing daily spot rate of Gujarat with conversion into cents/lb rate. Every week we publish Gujcot Weekly report which cover physical as well as future market rate movements during the week and also S-6 basis with ICE cotton future front month. We also cover US weekly export sales in this report. We publish monthly rate movement report covering all cotton and future price related information along with cotlook index. All our reports provide Indian basis data and charts which makes easy to understand domestic cotton prices compare to international cotton prices. We publish monthly detailed Gujarat cotton pressing report with comparative MoM and YoY data comparison and charts. All of above reports are published with charts related to data for a glance look. We hope all above reports are very useful to our trade people and will guide and educate them in some or other way. Apart from this we daily or as and when available publish many international cotton analyst' reports including monthly USDA WASDE report in very simple and easy to understand format.

India is self-sufficient in cotton supply for domestic use since more than a decade. We are the second largest exporter of raw cotton after USA. But markets have remained very volatile in last five years due to various reasons and Indian basis also remain -1500 to +5600 during this period. First time in recent times we saw Indian mills shutting down due to short supply of raw cotton and unbearable high prices of raw material which forced mills to take extreme steps. Whereas other origins are mostly traded forward with merchants and hedging on ICE, hence physical cotton market volatility is not as high as it is in Indian market. In such highly volatile market, it has become necessary for all stake holders to remain informed about not only domestic but international factors affecting the market. Apart from cotton fundamentals other factors like macro-economics, geo political situations, global pandemic, huge volatility in currency market and war like situations affected the market fundamentals. During last five years other factors dominated market trends more than production/consumption side. In last two seasons Covid-19 and Russia Ukraine war created unimaginable situation which changed whole demand supply situation. Two years back Indian cotton closing stock was huge with huge carry forward cotton due to pandemic lockdown and this season we are facing the lowest ever closing stock in recent times.

We are highly committed to keep you informed about all domestic and international reports which affect our trade. I wish prosperous new season to all of you.

Thank You

Ajaybhai Shah

Secretary

Annual Report 2021/2022

Cotton season 2021/22 was a very challenging one. Cotton market opened at its historically high level and climbed up to create a new historical high of Rs.100,000 plus per candy. Hence it proved that is very difficult for even experts to predict top and bottom of the cotton market. Market finds its own level.

Good cotton season for Ginners, farmers and stockists. First two quarters yarn market was supporting rising cotton prices and mills were earning but in second half of the season Indian cotton market rose to a very high level and yarn market could not catch up to that level. Indian cotton became the costliest cotton in the world. Due to the lowest domestic cotton crop in recent times, supply crunch became evident. Spinners tried to draw Governments attention to the issue and demanded to remove import duty on raw cotton but it was too late when government reacted to it. Leading cotton associations and COCPC were not able to rightly judge the cotton crop size. Initial cotton crop estimates were around 360 lakh bales which was lowered to 340 lakh bales in first quarter but daily arrivals were not supporting those numbers.

Cotton season 2020/21 was a golden period for spinners and they were running their factories at optimum level. 2020/21 domestic cotton consumption was historical high and 2021/22 domestic cotton consumption is the lowest in recent times.

Mills were trapped in on-call purchase. Mills were forced to square off their huge open on-call position before ICE old crop July future expiry. Roll over was costly as new crop December future was inverted to near 2100 points. From May onward ICE future was dominated by speculators and shot-up to 153 cents a pound level.

Indian cotton market was following rise in ICE futures but when ICE futures dropped after July option expiry, Indian cotton market remained strong and moved upwards due to domestic raw cotton shortage. Indian basis rose to record high of 5300 point against ICE December future and from here onwards Indian mills got out of the international yarn market competition. There after Indian mills had no other option but to slow production/consumption or shut down to save themselves from huge operating losses. Even at huge disparity it was difficult to find yarn buyer and also very low availability of raw cotton. First time in Indian history, mills closed due to unavailability of cotton and huge disparity in yarn.

We all learned a new lesson.

Conclusion

Soon after covid time, there was full demand in cotton and good parity to spinners. Indian cotton consumption was at optimum level and it surpassed all estimates. Indian cotton closing stock was lower than estimated by agencies.

First half of the season was profitable to spinners as yarn market supported rising cotton prices but second half was a very tough time due to very high raw material cost and competition from imported yarn.

Cotton prices rose on fundamentals, late intervention by Government failed to contain price rise. Agencies failed to assess lower cotton crop and by the time they realised it was too late. Post covid all industries were facing supply chain issue and to import cotton it was going to take long time. Also, other countries were fast to realise the situation and booked major chunk of American cotton well in advance. If US cotton was booked for May-Jun delivery in advance Indian cotton prices may not have crossed 80,000 Rs per Candy and Indian basis would not have gone too high which left Indian spinners yarn cost out of competition in the world market. And the final nail in the coffin was allowing free flow of cheaper imported cotton yarn.

Import duty on raw cotton is counterproductive when there is no export duty and no duty on import of yarn, all stake holders of cotton value chain should continue their efforts to convince Government of the same. There was no major import duty revenue to the Government but closer of such a huge industry affected livelihood of thousands of families working in the industry.

Future markets work as an effective tool of hedging in first half of the season, but in certain situation when arrivals go low, it is dominated by speculators like same happen this season when ICE July future touched 153 cents before cut and mills got trapped. After ICE July option expired, ICE July future came down by almost 20% once mills squared off their position. Indian cotton futures and physical cotton market sentiment remained very firm even after collapse in ICE cotton futures and Indian basis touched new high,

It is lesson for mills who purchase on call, keep averaging at all rates you will never get only bottom rate. To roll over in last future in inverted market is risky. Mill has to work with disciplined fixing. On call is a tool to secure supply not for speculation. In inverted market anticipate risk and take early decision.

Same in India, MCX is not hedging tool in absence of supply. But it creates sentiment of upward trend and market can run artificially high by speculators.

In new cotton mills will only come to the market when cotton prices come down to international cotton price parity. This will only happen when good arrivals from all major regions starts.

Wish all cotton friends prosperous new cotton season.

Raw Cotton Export and Import. India from 1/10/2021 To 30/9/2022								
Season 2021-2022								
MONTH	EXPORT				IMPORT			
	Waste+ Cotton*		Cotton HSN 5201#		Waste+ Cotton*		Cotton HSN 5201#	
	TONS	Bs 170kg	TONS	Bs 170kg	TONS	Bs 170kg	TONS	Bs 170kg
Oct-21	58,030	3.41	42,777	2.52	18,533	1.09	13,782	0.81
Nov-21	120,515	7.09	109,135	6.42	13,643	0.8	8,235	0.48
Dec-21	177,531	10.44	162,818	9.58	18,196	1.07	14,319	0.84
Jan-22	134,768	7.93	126,046	7.41	13,701	0.81	9,238	0.54
Feb-22	103,268	6.07	92,991	5.47	13,793	0.81	10,652	0.63
Mar-22	78,744	4.63	65,316	3.84	18,202	1.07	14,616	0.86
Apr-22	62,763	3.69	52,383	3.08	16,026	0.94	11,732	0.69
May-22	35,104	2.06	28,983	1.7	27,030	1.59	23,159	1.36
Jun-22	24,154	1.42	18,929	1.11	36,824	2.17	31,683	1.86
Jul-22	19,653	1.16	10,539	0.62	54,401	3.2	51,271	3.02
Aug-22	9,638	0.57	4,231	0.25	87,206	5.13	80,921	4.76
Sep-22		0		0		0		0
TOTAL	824,168	48.48	714,150	42.01	317,555	18.68	269,608	15.86

*LAKH BALES OF 170KG (RAW COTTON INCL WASTE,DGCIS,MINISTRY OF COMMERCE AND INDUSTRY

#LAKH BALES OF 170 KG (COTTON,NOT COMBED OR CARDED,DGFT HARMONISED TARRIF SCHEDULE HSN CODE 5201)

GUJARAT CUMULATIVE PRESSING					170 Kg Bales		
Season	Month	Saurashtra	North Gujarat	Main Line	Kutch	Total	% of Total
2017-2018	October	381,176	190,588	33,353	26,930	632,048	5.32%
	November	1,221,756	571,765	119,118	105,910	2,018,549	17.00%
	December	2,392,669	1,251,866	262,059	181,488	4,088,081	34.43%
	January	3,430,588	1,871,930	323,524	239,932	5,865,973	49.41%
	February	4,231,269	2,353,146	335,912	260,839	7,181,166	60.49%
	March	5,338,618	2,838,696	369,646	297,756	8,844,716	74.50%
	April	6,083,547	3,291,541	494,844	329,775	10,199,707	85.91%
	May	6,801,320	3,570,227	497,227	354,737	11,223,512	94.53%
	June	7,217,206	3,624,450	497,227	357,215	11,696,097	98.51%
	July	7,347,859	3,625,307	497,227	357,215	11,827,608	99.62%
	August	7,347,954	3,625,307	497,227	357,215	11,827,703	99.62%
	September	7,381,392	3,626,403	497,227	367,574	11,872,596	100.00%
2018-2019	October	297,861	153,877	30,589	60,573	542,900	6.00%
	November	942,253	529,400	110,255	123,886	1,705,794	18.85%
	December	1,914,471	1,061,089	237,282	177,456	3,390,298	37.46%
	January	2,736,636	1,559,423	374,887	208,373	4,879,320	53.92%
	February	3,427,515	2,035,443	441,212	238,944	6,143,114	67.89%
	March	4,131,132	2,459,017	479,530	272,607	7,342,286	81.14%
	April	4,606,465	2,770,317	510,262	302,329	8,189,373	90.50%
	May	4,970,385	2,851,837	512,842	316,754	8,651,818	95.61%
	June	5,129,312	2,873,516	512,985	317,516	8,833,329	97.61%
	July	5,246,942	2,873,516	512,985	317,516	8,950,959	98.91%
	August	5,313,733	2,873,516	512,985	317,516	9,017,751	99.65%
	September	5,345,276	2,873,516	512,985	317,516	9,049,293	100.00%
2019-2020	October	169,860	48,458	6,575	22,680	247,573	2.57%
	November	915,536	343,997	69,374	71,185	1,400,092	14.52%
	December	2,116,622	919,059	195,401	134,408	3,365,490	34.89%
	January	3,062,743	1,559,579	321,522	179,439	5,123,283	53.11%
	February	3,680,149	1,993,697	448,702	207,131	6,329,679	65.62%
	March	4,006,592	2,164,104	527,076	223,212	6,920,983	71.75%
	April	4,126,506	2,237,861	550,509	228,906	7,143,783	74.06%
	May	4,556,454	2,440,685	620,814	252,301	7,870,254	81.59%
	June	5,142,840	2,592,133	639,777	281,413	8,656,163	89.74%
	July	5,612,482	2,634,973	639,777	291,246	9,178,478	95.16%
	August	5,878,122	2,641,072	639,777	291,246	9,450,217	97.97%
	September	6,061,606	2,652,412	640,444	291,246	9,645,708	100.00%
2020-2021	October	373,947	229,145	49,839	11,054	663,986	7.38%
	November	1,033,151	675,077	109,207	46,362	1,863,797	20.70%
	December	2,054,822	1,335,604	236,854	93,931	3,721,211	41.34%
	January	3,184,034	1,861,893	359,831	148,978	5,554,735	61.70%
	February	4,272,095	2,227,764	448,311	182,288	7,130,459	79.21%
	March	4,964,544	2,485,108	474,091	211,920	8,135,663	90.37%
	April	5,287,423	2,594,695	491,244	225,905	8,599,267	95.52%
	May	5,481,941	2,625,208	497,915	226,763	8,831,826	98.11%
	June	5,596,884	2,632,927	497,915	226,763	8,954,488	99.47%
	July	5,628,998	2,638,645	497,915	226,763	8,992,320	99.89%
	August	5,635,001	2,638,645	497,915	226,763	8,998,323	99.96%
	September	5,637,003	2,640,646	497,915	226,763	9,002,326	100.00%
2021-2022	October	497,176	202,452	34,496	35,735	769,860	10.36%
	November	1,296,894	485,665	90,815	72,328	1,945,702	26.19%
	December	2,190,153	810,697	204,692	103,204	3,308,745	44.54%
	January	2,933,095	1,130,138	310,945	130,791	4,504,968	60.64%
	February	3,616,579	1,379,197	388,466	155,234	5,539,477	74.56%
	March	4,206,878	1,602,396	441,831	175,961	6,427,066	86.51%
	April	4,578,702	1,752,704	467,179	196,909	6,995,494	94.16%
	May	4,840,395	1,805,865	494,529	204,934	7,345,722	98.88%
	June	4,892,017	1,808,570	495,101	204,934	7,400,621	99.61%
	July	4,908,693	1,808,570	495,101	204,934	7,417,298	99.84%
	August	4,909,646	1,808,570	495,101	204,934	7,418,251	99.85%
	September	4,918,175	1,811,048	495,101	204,934	7,429,257	100.00%

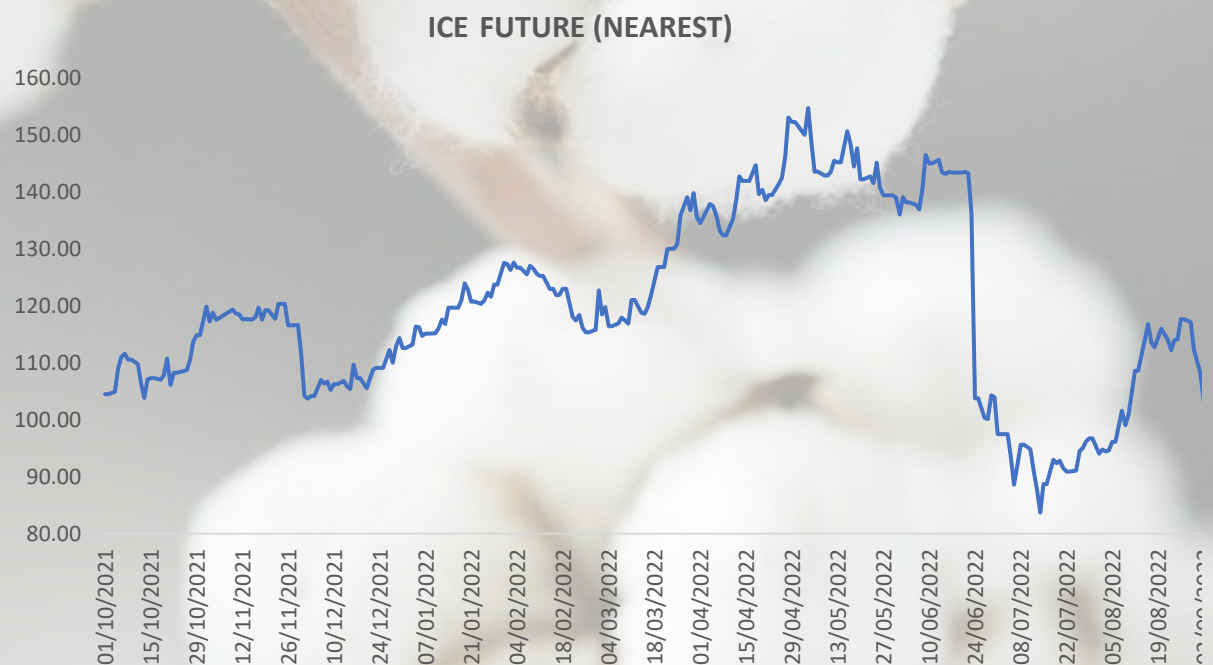
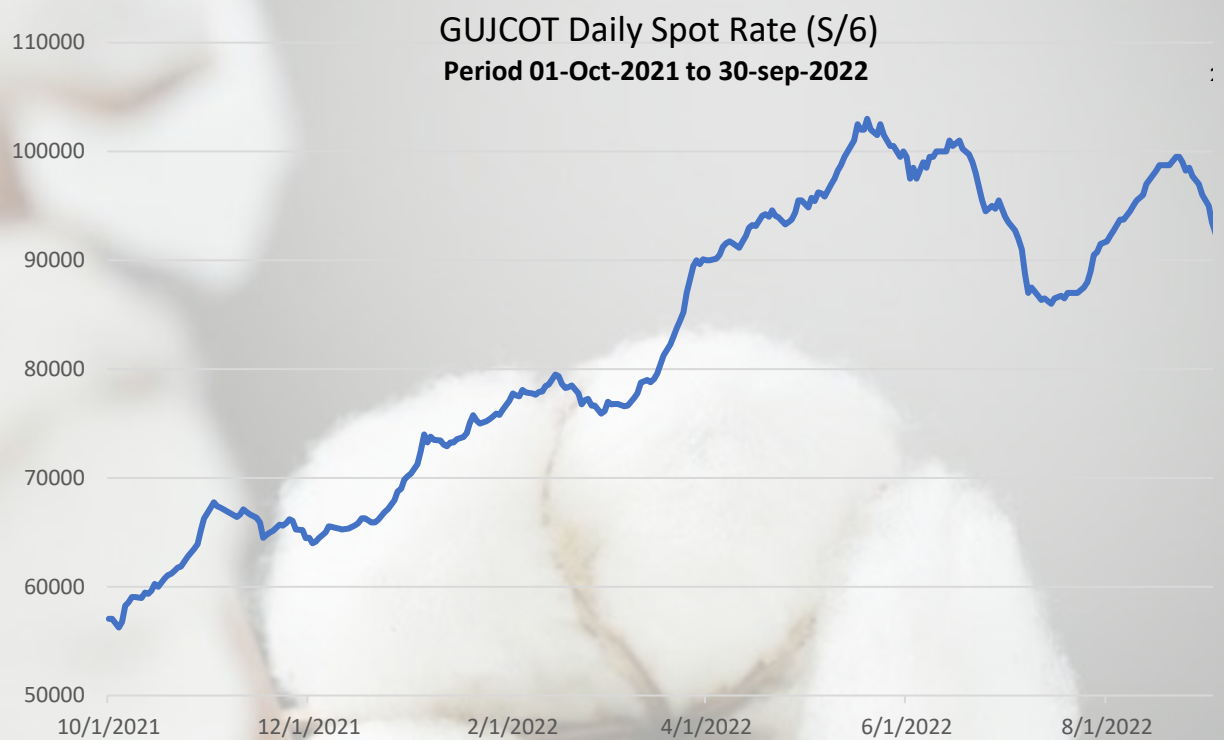
MCX Closing

Period 01-Oct-2021 to 30-Sep-2022

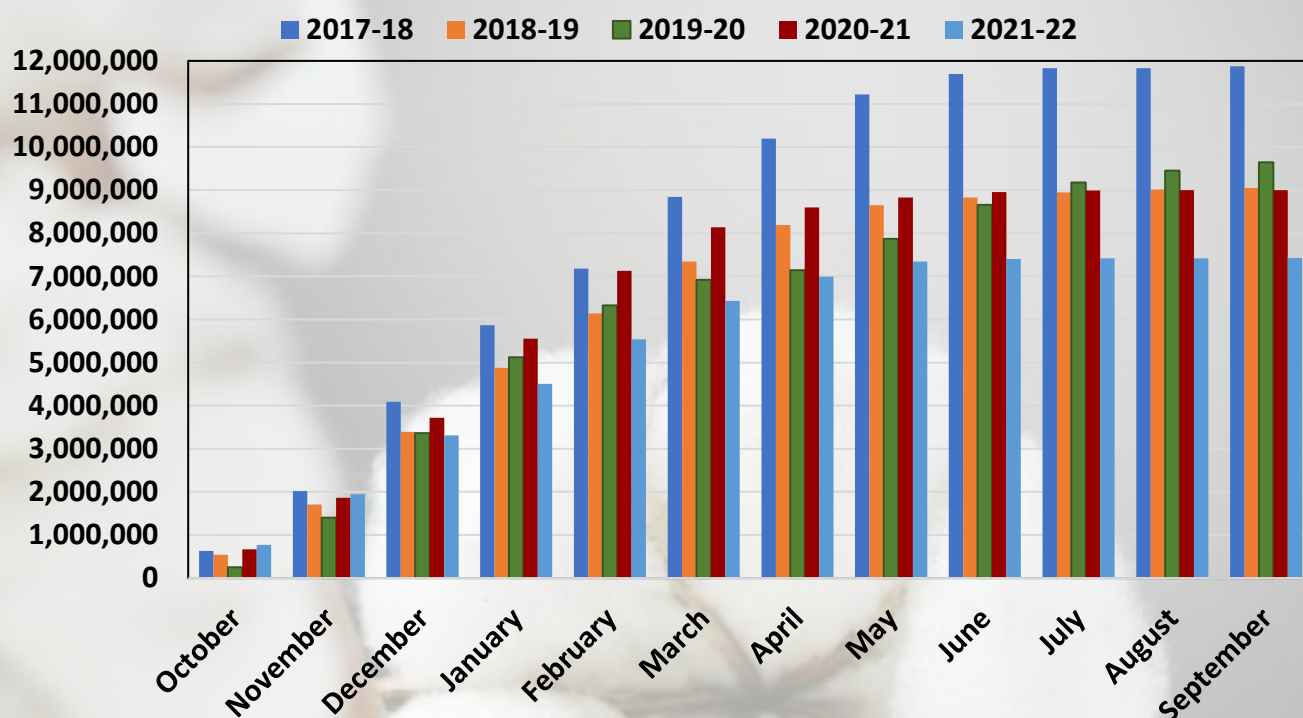


INDIAN BASIS





Gujarat Cotton Cumulative Pressing in 170 Kg Bales



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