

**Business Session V**  
**Towards Better Insights in the Cotton Industry**

Chair: Mr. Aurthur Spellson, Immediate Past Chairman, Australian Cotton Shippers Association

Speakers:

Mr. Kai Hughes, Managing Director, International Cotton Association

Mr. Nalin Rawal, Chief Business Head, Skymet Weather Services Pvt. Ltd.

Mr. Deepak Mehta, Vice President, MCX

Mr. Rafael Nam, Chief Correspondent, Markets, Thomson Reuters

**Better Information Leads to Higher Efficiency**

Mr. Hughes provided insight into the development of effective partnerships in the cotton industry. Mr. Hughes defined partnerships as the pooling of money, skills and other resources. He said that cotton may have many dispirit national and parochial interests, but the industry as a whole is stronger through the pooling of resources. The ICA encourages partnership with affiliated associations who agree on a simple rule to avoid trading with defaulters. Mr. Hughes lauded the role of BCI and Supima in supporting contract sanctity. The Bremen Cotton Exchange and the Gydnia Cotton Association recognize ICA Rules. ICA has memorandums of understanding with the China Cotton Association, the China Cotton Exchange and the Cotton Association of India. However, the most difficult form of association is a joint venture, and the ICA is involved in a joint venture with the Bremen Cotton Association and the Bremen Fibre Institute, called ICA Bremen. The three organizations compliment each others strengths and in just four years have greatly expanded the services they are able to provide. Those services include a International Laboratory Certification Scheme, a Quality Expert Certification, numerous training courses, and full fiber traceability, among other services. Mr. Hughes observed that the objectives of the Cotton Association of India and the ICA are highly aligned and could provide the basis for a future partnership.

Rainfall is highly correlated with production, especially in areas without irrigation, and Mr. Rawal described the services of Skymet in providing information about rainfall patterns. He noted that long range forecasts extend 3 to 4 months into the future, medium term forecasts are 30 days ahead and short term forecasts are 7 days ahead. He described data collection methodology and the use of such information in estimating crop conditions and production potential by comparing information from the current season to patterns of production for previous years. He described crop risk management services provided by Skymet.

Mr. Mehta reported that trading on the MCX accounted for 80 million bales since inception in November 2011. He said the cotton contract exhibits high liquidity and low transactions costs. Daily volume and open interest have been increasing since 2012, and the correlation between MCX and ICE is 90%.

Mr. Nam emphasized that as a journalist he is not a forecaster, but he talks to market participants to try and divine market sentiment. The current outlook is that the Rupee will hit a record low this year. Lower oil prices benefit the Indian current account, but falling oil prices are undermining global confidence. Conventional measures of economic performance for India are positive. The current account deficit is falling, foreign exchange reserves are growing and inflation is falling. However, economists are concerned about the accuracy of statistics. In addition, tax revenues are falling. Consequently, investors are concerned about the Indian economy. The government will release a budget next week, and as part of the new budget a Goods and Services Tax (G.S.T.) will be introduced. Speculators are expecting a 5% to 7% decline in the Rupee over the next year and foreign investors are selling Indian bonds. 2016 will be a difficult year for the Indian economy.