

**Cotton Association of India**  
**COTTON INDIA 2018**  
**Challenges Facing Cotton Trade**  
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**Market Outlook**

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# **We live in a VUCA world**

- **Volatility**
- **Uncertainty**
- **Complexity**
- **Ambiguity**

# Five critical drivers of global commodity market

- **Economic growth**
- **Geopolitics**
- **Monetary policy**
- **Currency**
- **Weather**

# **Cotton - The Global Picture**

**(million tons)**

- | <b>Year</b>            | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> |
|------------------------|----------------|----------------|----------------|
| <b>Output</b>          | <b>23.1</b>    | <b>25.8</b>    | <b>25.4</b>    |
| <b>Use</b>             | <b>24.5</b>    | <b>25.4</b>    | <b>26.5</b>    |
| <b>Trade</b>           | <b>8.2</b>     | <b>8.3</b>     | <b>9.2</b>     |
| <b>End Stock</b>       | <b>18.8</b>    | <b>19.2</b>    | <b>18.1</b>    |
| <b>Cotlook A-Index</b> | <b>83</b>      | <b>78</b>      | <b>...</b>     |

**(source: ICAC)**

# **Emerging scenario**

- **Consumption to rise due economic growth; rising demand for textiles; rising 'synthetics' production cost**
- **2018-19 may face tighter market conditions**
- **Will India be the swing factor ??**

# Indian Cotton Market

## Fundamentals (million bales)

- | Year       | 2016-17 | 2017-18 | 2018-19 |
|------------|---------|---------|---------|
| Area ml ha | 10.8    | 12.2    | ??      |
| -----      |         |         |         |
| Output     | 33.7    | 36.2    |         |
| Use        | 30.8    | 33.0    |         |
| Export     | 6.3     | 6.0     |         |
| Import     | 2.7     | 2.0     |         |

# Cotton Market Outlook

- **Domestic demand: Robust;  
Cotton, a growth-driven commodity;  
Rising incomes and demographic  
pressure drive consumption; ‘Natural  
fibre’ in demand; ‘Naturals’ replacing  
synthetics; World going ‘green’;  
Textiles, clothing, furnishing fabrics,  
‘technical textiles’;  
Demand growth in India is a given**

# **Supply uncertainties abound**

- **Land constraints, water shortage, climate change to impact Indian cotton production**
- **Protectionism and emerging trade war (US-China) may benefit India**
- **As India integrates with global market, stakeholders must have a world view**



# **Risk management essential**

- **Production risk, quality risk, market risk, payment risk . . . . .**  
**All converge on one factor: PRICE**
- **Manage Price Risk to manage all other underlying risks**
- **‘Not hedging is speculation’**

# Thank You

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