

Weekly Publication of



**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2019-20 • No. 6 • 7<sup>th</sup> May, 2019 Published every Tuesday

Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033  
Phone: 3006 3400 Fax: 2370 0337 Email: cai@caionline.in  
www.caionline.in

## Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 07/05/19 to 04/06/19

*(The author is Director of Commtrendz Research and the views expressed in this column are his own and the author is not liable for any loss or damage, including without limitations, any profit or loss which may arise directly or indirectly from the use of following information.)*

We will look into the Gujarat-ICS-105, 29mm prices along with other benchmarks and try to forecast price moves going forward.

As mentioned in the previous update, fundamental analysis involves studying and analysing various reports, data and based on that arriving at some possible direction for prices in the coming months or quarters.

Some of the recent fundamental drivers for the domestic cotton prices are:

- Cotton futures steadily edged lower on MCX despite supply side issues supporting domestic markets. Amid a severe shortage of the fibre crop, India's cotton imports are set to more than double compared to last year. The correction from recent highs should be a relief, as most traders were short and uncovered a week ago.

### EXPERT'S Column



**Shri Gnanasekar Thiagarajan**  
Director, Commtrendz Research

- Cotton Association of India (CAI) has released its April estimate of the cotton crop for the season 2018-19 beginning from 1st October 2018. The cotton crop estimated by the CAI for 2018-19 crop year now is 315 lakh bales, which is lower by 6 lakh bales compared to its previous estimate of 321 lakh bales released during last month.

- Further, the CAI has estimated cotton consumption during the months of October 2018 to April 2019 at 183.75 lakh bales while the export shipment of cotton estimated by the CAI upto 30th April 2019 is 42.50 lakh bales of 170 kgs. each. Stock at the end of April 2019 is estimated by the CAI at 87.75 lakh bales including 40 lakh bales with textile mills and remaining 47.75 lakh bales with CCI, MNCs and others.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures extended losses on Tuesday as the United States and China appeared far from reaching a truce on their trade dispute. President Donald Trump dramatically increased pressure on China on Sunday to reach a trade deal, saying he would hike U.S. tariffs on \$200 billion worth of Chinese goods this week and target hundreds of billions more soon. The move marked a major escalation

in tensions between the world’s largest economies and a shift in tone from Trump, who had cited progress in trade talks as recently as last Friday.

- Many commodity sectors are lower again today due to the fact that it does not look like a Chinese trade agreement is going to be completed anytime soon, as that has pushed cotton prices to a two-month low.

- The crop progress report was released yesterday and it showed 18% of the crop has been planted which is on par with the five- year average, but it is a very long growing season and things can change quickly. However, in the short term stay, I still think lower prices are ahead as the trend is your friend and clearly this trend is lower.

- Despite Trump’s threats, Beijing said its top negotiator, Vice Premier Liu He, would go to Washington for talks this week, as planned.



As mentioned in the previous update, ideally, price could target 13,400-500 levels in the coming months. We saw prices testing 13,100 and is presently showing tendencies of correcting further lower to 12,500 levels. Further important supports are at 12,050-100 levels now. Favoured view expects prices to edge higher again after testing supports mentioned above.



As mentioned previously, we expected a pullback to 13,000-13300 levels in the coming months, which materialised perfectly. The indicators are now overbought and a downward correction is in the

offing, but post the correction the uptrend is expected to resume again. The uptrend still largely remains undisturbed even if prices correct sharply lower. Only levels below 12,000 will cast doubts on the bigger picture uptrend.

### MCX May Contract Chart

The MCX benchmark May cotton chart moved as per expectations. Upside attempts have failed in the 22,500 zone and prices look vulnerable for further declines from here. With the way the international prices are poised, a fall to 21,500-600 levels can be expected in the coming sessions. Ideally, prices should hold here, but failure to do so could have bearish consequences. Supports are now at 21,550 followed by 21,100 levels now.



We will also look at the ICE Cotton futures charts for possible direction in international prices.



As mentioned earlier, we expected a breakout towards strong resistances in the 81-82c zone, being past resistance levels. The move failed very close to 80c and has started a bigger downtrend targeting 66c at least on the downside being a strong support levels in the coming weeks. The trend which was so far showing bullish tendencies has reversed and markets might be bracing for sharp falls ahead.

### CONCLUSION:

Both the domestic and international prices have started declining after failing to sustain at higher levels. The international prices have pulled back in the past few months from the lows and the medium-term picture which was in the positive so far, has started turning weak. The domestic prices also have shown a downward reversal again, despite positive fundamentals.

For Guj ICS supports are seen at 12,500/qtl followed by 12,000/qtl, and for ICE Jul cotton futures at 71c followed by 67c. Prices are in the process of completing a head and shoulder pattern with targets nearing 55c being the previous lows made in 2016. The domestic technical picture on the other hand, is neutral to bearish and relatively less bearish compared to the international prices. We favour prices to consolidate testing support levels and then trying to make a recovery from there.



## CAI Reduces its Cotton Crop Estimate for 2018-19 Season by 6 Lakh Bales

Cotton Association of India (CAI) has released its April estimate of the cotton crop for the season 2018-19 beginning from 1st October 2018.

The cotton crop estimated by the CAI for 2018-19 crop year now is 315 lakh bales, which is lower by 6 lakh bales compared to its previous estimate of 321 lakh bales released during last month. Statements containing the state-wise estimate of the cotton crop and the Balance Sheet for the season 2018-19 with the corresponding data for the previous crop year are given below.

The Cotton crop estimate now released by the CAI for Maharashtra is lower by 2 lakh bales compared to its previous estimate made during the last month while the cotton crop estimates for the North Zone, Madhya Pradesh, Telangana and Andhra Pradesh now made by the CAI are lower by 1 lakh bales each compared to the CAI's previous month estimate. The scarcity of water in some states and uprooting of cotton plants by farmers in about 70-80% area without waiting for 3rd and 4th pickings are stated to be the main reasons for reduction in the cotton crop this year.

Total cotton supply estimated by the CAI during the period from October 2018 to April 2019 is 314 lakh bales of 170 kgs. each which consists of the arrival of 278.73 lakh bales upto 30th April 2019, imports of 7.27 lakh bales upto 30th April 2019 and the opening stock at the beginning of season on 1st October 2018 at 28 lakh bales.

Further, the CAI has estimated cotton consumption during the months of October 2018 to April 2019 at 183.75 lakh bales while the export shipment of cotton estimated by the CAI upto 30th April 2019 is 42.50 lakh bales of 170 kgs. each. Stock at the end of April 2019 is estimated by the CAI at 87.75 lakh bales including 40 lakh bales with textile mills and remaining 47.75 lakh bales with CCI, MNCs and others (MNCs, Traders, Ginners, etc.).

The yearly Balance Sheet projected by the CAI estimates total cotton supply till end of the cotton season i.e. upto 30th September 2019 at 374 lakh bales of 170 kgs. each consisting of the Opening Stock of 28 lakh bales at the beginning of the cotton season, cotton crop for the season estimated at 315 lakh bales and imports estimated by the CAI at 31 lakh bales, which are higher by 16 lakh bales compared to the previous year's import estimated at 15 lakh bales.

Domestic consumption estimated by the CAI for the entire crop year i.e. upto 30th September 2019 is 315 lakh bales, which is lower by 1 lakh bales compared to its previous estimate made during last month while the CAI has estimated exports for the season at 46 lakh bales, which are lower by 23 lakh bales compared to the previous year's cotton exports estimate of 69 lakh bales. The carry over stock estimated at the end of the season is estimated at 13 lakh bales.

### Highlights of deliberations held at the Crop Committee Meeting of Cotton Association of India on 6th May 2019

Based on the data available from various trade sources, upcountry associations and other stakeholders, the Committee of Cotton Association of India has, at its meeting held on 6th May 2019 which was attended by 21 members, arrived at its April estimate of the cotton crop for the 2018-19 season beginning on 1st October 2018 and drew estimated cotton balance sheet.

The following are the highlights of the deliberations at the said meeting:-

1. The cotton crop estimate for the season 2018-19 is reduced by 6 lakh bales to 315 lakh bales from the CAI's previous month estimate of 321 lakh bales.
2. The projection of cotton export for the season is reduced from 47 lakh bales to 46 lakh bales on account of prevailing higher prices

of Indian cotton and smaller crop size. Last year, cotton exports from India were 69 lakh bales. Thus, the cotton exports this year are estimated lower by about 33 percent

3. Import of cotton has been projected at 31 lakh bales compared to the last year's import of 15 lakh bales. Thus, the cotton imports this year are estimated higher to be more than double compared to that of last year.
4. Estimate of yearly consumption is reduced by 1 lakh bales to 315 lakh bales compared to the previous month's estimate of 316 lakh bales.
5. Indian cotton arrivals during the months of October 2018 to April 2019 are estimated at 278.73 lakh bales. A correction for the last few months is made in the arrival figures of the North Zone and also for Gujarat State.
6. Shipment of imports during the months of October 2018 to April 2019 are estimated at 7.27 lakh bales.
7. Cotton export shipments during the months of October 2018 to April 2019 are estimated at 42.50 lakh bales.
8. Consumption by Indian spinning mills for 7 months i.e. from 1st October 2018 to 30th April 2019 is estimated at 183.75 lakh bales.
9. Cotton stock held by mills in their godowns on 30th April 2019 is estimated at 40 lakh bales. This means the mills are having about 47 days stock inside mill godowns.
10. CCI, MNCs, Ginners and MCX are estimated to have stock of 47.75 lakh bales as on 30th April 2019 which is about 51 lakh running bales.
11. Thus, total stock held by spinning mills and stockists on 30th April 2019 is estimated at 87.75 lakh bales of 170 kgs. each which is equal to about 93 to 94 lakh running bales.
12. Due to small crop size and a very tight cotton balance sheet, closing stock as on 30th September 2019 is estimated by the Committee at 13 lakh bales of 170 kgs. each.

**CAI's Estimates of Cotton Crop  
as on 30th April 2019  
for the Seasons 2018-19 and 2017-18**

(in lakh bales of 170 kg.)

State	Production *		Arrivals as on 30th April 2019 (2018-19)
	2018-19	2017-18	
Punjab	8.75	9.00	8.24
Haryana	23.25	23.60	21.32
Upper Rajasthan	13.00	11.15	12.79
Lower Rajasthan	14.00	12.25	13.97
<b>Total North Zone</b>	<b>59.00</b>	<b>56.00</b>	<b>56.32</b>
Gujarat	82.50	105.00	70.00
Maharashtra	74.20	83.00	66.50
Madhya Pradesh	23.25	21.50	21.00
<b>Total Central Zone</b>	<b>179.95</b>	<b>209.50</b>	<b>157.50</b>
Telangana	38.00	51.50	34.36
Andhra Pradesh	14.00	18.50	11.15
Karnataka	14.25	18.75	12.00
Tamil Nadu	5.50	5.75	3.15
<b>Total South Zone</b>	<b>71.75</b>	<b>94.50</b>	<b>60.66</b>
Orissa	3.30	4.00	3.25
Others	1.00	1.00	1.00
<b>Total</b>	<b>315.00</b>	<b>365.00</b>	<b>278.73</b>

\* Including loose

The Balance Sheet drawn by the Association for 2018-19 and 2017-18 is reproduced below:-

(in lakh bales of 170 kg.)

Details	2018-19	2017-18
Opening Stock	28.00	36.00
Production	315.00	365.00
Imports	31.00	15.00
<b>Total Supply</b>	<b>374.00</b>	<b>416.00</b>
Mill Consumption	276.00	275.00
Consumption by SSI Units	27.00	29.00
Non-Mill Use	12.00	15.00
<b>Total Domestic Demand</b>	<b>315.00</b>	<b>319.00</b>
<b>Available Surplus</b>	<b>59.00</b>	<b>97.00</b>
Exports	46.00	69.00
<b>Closing Stock</b>	<b>13.00</b>	<b>28.00</b>

**Balance Sheet of 7 months i.e. from 1.10.2018 to 30.04.2019 for the season 2018-19**

Details	(in lakh b/s of 170 kg)	(in '000 Tons)
Opening Stock as on 01.10.2018	28.00	476.00
Arrivals upto 30.04.2019	278.73	4738.41
Imports upto 30.04.2019	7.27	123.59
<b>Total Available</b>	<b>314.00</b>	<b>5338.00</b>

Consumption	183.75	3123.75
Export Shipment 30.04.2019	42.50	722.50
Stock with Mills	40.00	680.00
Stock with CCI, MNCs, MCX & Ginners	47.75	811.75
<b>Total</b>	<b>314.00</b>	<b>5338.00</b>

**As per Cotton Association of India Stock on 30.04.2019**

(in lakh bales of 170 kg.)

State	GINNERS	MNC	CCI	MCX	TOTAL
PUNJAB	0.29	0.05	NIL	NIL	0.34
HARYANA	0.25	0.05	NIL	NIL	0.30
RAJASTHAN	1.50	0.54	NIL	NIL	2.04
GUJARAT	9.05	2.00	0.45	0.50	12.00
MAHARASHTRA	9.82	2.30	1.50	1.40	15.02
ANDHRA PRADESH	1.80	0.10	0.10	NIL	2.00
TELANGANA	2.30	1.00	7.03	0.17	10.50
MADHYA PRADESH	2.50	0.20	0.50	NIL	3.20
ORISSA	0.70	NIL	0.30	NIL	1.00
KARNATAKA	1.00	0.20	0.15	NIL	1.35
<b>TOTAL</b>	<b>29.21</b>	<b>6.44</b>	<b>10.03</b>	<b>2.07</b>	<b>47.75</b>



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) 2018-19 Crop April - May 2019					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	29th	30th	1st	2nd	3rd	4th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	H	11923 (42400)	H	11923 (42400)	11923 (42400)	11923 (42400)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15		12063 (42900)		12063 (42900)	12063 (42900)	12063 (42900)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	O	10123 (36000)	O	10123 (36000)	10039 (35700)	10011 (35600)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21		11417 (40600)		11332 (40300)	11276 (40100)	11248 (40000)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	L	11867 (42200)	L	11810 (42000)	11754 (41800)	11754 (41800)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26		13216 (47000)		13216 (47000)	13188 (46900)	13188 (46900)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25		11614 (41300)		11670 (41500)	11726 (41700)	11810 (42000)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	I	11951 (42500)	I	11979 (42600)	12007 (42700)	12092 (43000)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26		13385 (47600)		13357 (47500)	13329 (47400)	13329 (47400)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	D	11895 (42300)	D	11951 (42500)	12007 (42700)	12092 (43000)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26		12288 (43700)		12317 (43800)	12373 (44000)	12373 (44000)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27		13413 (47700)		13385 (47600)	13357 (47500)	13357 (47500)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	A	12766 (45400)	A	12766 (45400)	12738 (45300)	12710 (45200)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27		12795 (45500)		12795 (45500)	12738 (45300)	12738 (45300)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	Y	12991 (46200)	Y	12991 (46200)	12963 (46100)	12935 (46000)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28		13020 (46300)		13020 (46300)	12963 (46100)	12963 (46100)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29		13357 (47500)		13357 (47500)	13301 (47300)	13301 (47300)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30		13554 (48200)		13554 (48200)	13554 (48200)	13498 (48000)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31		13835 (49200)		13835 (49200)	13835 (49200)	13779 (49000)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33		15607 (55500)		15691 (55800)	15691 (55800)	15691 (55800)

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