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**Cotton  
Association  
of India**

# COTTON STATISTICS & NEWS

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## Technical Analysis

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

*(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 higher on MCX on the back of firm international prices while US-China trade talk concerns loomed. A long-drawn trade dispute between China and the United States still worries cotton participants, with US farmers being among the hardest hit.

- Cotton Association (CAI) has released its May estimates. The CAI had revised its initial

production estimates from 348 lakh bales to 315 lakh bales in view of the reported drop in production from various parts of the country.

- An official press release issued by the CAI shows that arrivals till the end of May 2019 is 287 lakh bales as against the arrivals of 340 lakh bales of May 2018. The total production for the last season was around 365 lakh bales.

- This year, another factor for keeping up the pressure on cotton prices in the domestic markets is the uncertainty regarding the monsoon. The IMD has maintained its normal prediction for the monsoon, although the onset is to be delayed. However, farmers might be wary of undertaking sowing operations early, which might affect the productivity in the long run.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures extended losses on Tuesday as unfavourable planting weather for grains increased the likelihood of increased cotton planting.

- 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 and that has pushed cotton prices to recent lows.

### EXPERT'S Column



**Shri Gnanasekar Thiagarajan**  
Director, Commtrendz Research

- The Tuesday’s crop progress report from the US Department of Agriculture (USDA) showed that cotton crop was 71% planted in the week to June 2, slightly below the four-year average of 72%, and considerably above the 57% planted in the week ending May 26.
- US weather continues to be the key driver for cotton prices. Heavy rain continued to plague U.S. farmers. The forecasts looked grim, as they struggled to complete their sowing in waterlogged fields.



As mentioned in the previous update, we were expecting prices to correct lower to 12,500 levels, which it did and bounced higher again. Strong resistance at 13,500 needs to be broken, which happens to be the resistance that has fought attempts to rise for the past 6 years consecutively, as seen in the chart above. Our favoured view expects prices to edge while supports at 12,500 remains intact.

As mentioned previously, we expected a correction to 12,500 levels, which materialised perfectly. The indicators are now neutral indicating no clear trend. But, chances of an uptrend still remain solid and the uptrend is expected to resume again. The uptrend still largely remains undisturbed even if



prices correct sharply lower to 12,500 again. Only prices below 12,000 will cause doubts on the bigger picture uptrend.

### MCX June Contract Chart

The MCX benchmark June cotton chart is moving as per expectations. As mentioned earlier, with the way the international prices are poised, a fall to 21,500-600 levels can be expected in the coming sessions. Prices went down to 20,000 before recovering from there. Downside attempts have failed in the 20,000 zone and prices are consolidating from here for an up move again towards 23,000 or even higher. Supports are now at 21,000 followed by 20,500 levels now.



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

As mentioned earlier, we expected a fall to 66c at least on the downside. Prices hit 64.50c and bounced higher from there. Though, it looks like the bounce could regain 70c or even higher to 74c, prices can again revisit recent lows at 63c or even lower to 52c on a technical basis. The trend which was so far showing bullish tendencies, has reversed and markets might be bracing for sharp falls ahead.



### CONCLUSION:

The domestic and international prices are showing divergent trends. The international prices have pulled back from the recent lows and the medium-term picture which was in the positive so far, has turned weaker, while the domestic prices also have shown a downward reversal again, positive fundamentals could cushion the declines and any upside could only be short-lived.

For Guj ICS supports are seen at 12,500 /qtl followed by 12,000 /qtl, and for ICE Jul cotton futures at 67c followed by 63c. 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 bullish and relatively less bearish compared to the international prices. We favour prices to consolidate testing support levels and then trying to make a recovery again from there.

## CAI Maintains its Cotton Crop Estimate for 2018-19 Season at 315 Lakh Bales

Cotton Association of India (CAI) has released its May estimate of the cotton crop for the season 2018-19 beginning from 1st October 2018. CAI has retained its May estimate of the cotton crop for 2018-19 at 315 lakh bales i.e. at the same level as in the previous estimate. A statement containing the State-wise estimate of the cotton crop and the balance sheet for the cotton season 2018-19 with the corresponding data for 2017-18 crop year is given below.

The total cotton supply estimated by the CAI during the period from October 2018 to May 2019 is 325 lakh bales of 170 kgs. each which consists of the arrivals of 287.72 lakh bales upto 31st May 2019, imports of 9.28 lakh bales upto 31st May 2019 and the opening stock at the beginning of the season on 1st October 2018 at 28 lakh bales.

Further, the CAI has estimated cotton consumption during the months of October 2018 to May 2019 at 209 lakh bales of 170 kgs. each while the export shipment of cotton estimated by the CAI upto 31st May 2019 is 44 lakh bales of 170 kgs. each. Stock at the end of May 2019 is estimated by the CAI at 72.00 lakh bales including 32.68 lakh bales with textile mills and remaining 39.32 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 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 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.

There is no change in demand, supply and closing stock numbers which are contained in the balance sheet drawn by the CAI now and the figures estimated by the CAI in the balance sheet remain the same as estimated by it in its previous estimate.

### Highlights of Deliberations held at the Crop Committee Meeting of Cotton Association of India on 30th May 2019

Crop Committee of Cotton Association of India (CAI) met on 30th May 2019. 12 members were present. Based on the data available from various trade sources, upcountry associations and other stakeholders, the Committee arrived at its May 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 retained by the CAI at 315 lakh bales i.e. at the same level as estimated by it in the previous month.
2. There is no change in the projection of cotton export for the season and the same is also retained at 46 lakh bales as estimated by the CAI previously.
3. There is no change in the projection of Import of cotton for the season and the same is also retained at 31 lakh bales as estimated by the CAI previously.
4. The yearly consumption estimated by the CAI is also retained at the same level i.e. at 315 lakh bales as in the previous month.
5. Indian cotton arrivals during the months of October 2018 to May 2019 are estimated at 287.72 lakh bales.
6. Shipment of imports during the months of October 2018 to May 2019 are estimated at 9.28 lakh bales.
7. Cotton export shipments during the months of October 2018 to May 2019 are estimated at 44 lakh bales.
8. Consumption by Indian spinning mills for 8 months i.e. from 1st October 2018 to 31st May 2019 is estimated at 209 lakh bales.
9. Cotton stock held by mills in their godowns on 31st May 2019 is estimated at 32.68 lakh bales. This means the mills are having about 38 to 40 days stock inside mill godowns.

10. CCI, MNCs, Ginners and MCX are estimated to have stock of 39.32 lakh bales as on 31st May 2019 which is about 42.00 lakh running bales.
11. Thus, total stock held by spinning mills and stockists on 31st May 2019 is estimated at 72 lakh bales of 170 kgs. each which is equal to about 76.00 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 31st May 2019  
for the Seasons 2018-19 and 2017-18**

(in lakh bales)

| State                     | Production *  |               | Arrivals as on<br>31st May 2019<br>(2018-19) |
|---------------------------|---------------|---------------|--|
|                           | 2018-19       | 2017-18       |  |
| Punjab                    | 8.75          | 9.00          | 8.28   |
| Haryana                   | 23.00         | 23.60         | 21.52  |
| Upper Rajasthan           | 13.00         | 11.15         | 12.89  |
| Lower Rajasthan           | 14.25         | 12.25         | 14.07  |
| <b>Total North Zone</b>   | <b>59.00</b>  | <b>56.00</b>  | <b>56.76</b>                                 |
| Gujarat                   | 82.50         | 105.00        | 73.50  |
| Maharashtra               | 74.20         | 83.00         | 69.50  |
| Madhya Pradesh            | 23.25         | 21.50         | 21.50  |
| <b>Total Central Zone</b> | <b>179.95</b> | <b>209.50</b> | <b>164.50</b>                                |
| Telangana                 | 38.00         | 51.50         | 34.96  |
| Andhra Pradesh            | 14.00         | 18.50         | 11.45  |
| Karnataka                 | 14.25         | 18.75         | 12.50  |
| Tamil Nadu                | 5.50          | 5.75          | 3.30   |
| <b>Total South Zone</b>   | <b>71.75</b>  | <b>94.50</b>  | <b>62.21</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>287.72</b>                                |

\* Including loose

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

(in lakh bales)

| 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 8 months i.e. from 1.10.2018  
to 31.05.2019 for the season 2018-19**

| Details                                | (in lakh b/s<br>of 170 kg) | (in '000<br>Tons) |
|--|----------------------------|-------------------|
| Opening Stock as on<br>01.10.2018      | 28.00                      | 476.00            |
| Arrivals upto 31.05.2019               | 287.72                     | 4891.24           |
| Imports upto 31.05.2019                | 9.28                       | 157.76            |
| <b>Total Available</b>                 | <b>325.00</b>              | <b>5525.00</b>    |
| Consumption                            | 209.00                     | 3553.00           |
| Export Shipment<br>31.05.2019          | 44.00                      | 748.00            |
| Stock with Mills                       | 32.68                      | 555.56            |
| Stock with CCI, MNCs,<br>MCX & Ginners | 39.32                      | 668.44            |
| <b>Total</b>                           | <b>325.00</b>              | <b>5525.00</b>    |

**As per Cotton Association of India Stock  
on 31.05.2019**

| State          | Ginners      | MNC         | CCI         | MCX         | Total        |
|----------------|--------------|-------------|-------------|-------------|--------------|
| PUNJAB         | 0.10         | 0.10        | NIL         | NIL         | 0.20         |
| HARYANA        | 0.20         | 0.05        | NIL         | NIL         | 0.25         |
| RAJASTHAN      | 1.50         | 0.25        | NIL         | NIL         | 1.75         |
| GUJARAT        | 7.05         | 1.00        | 0.45        | 0.50        | 9.00         |
| MAHARASHTRA    | 9.00         | 1.75        | 1.50        | 1.25        | 13.50        |
| ANDHRA PRADESH | 0.80         | 0.10        | 0.10        | NIL         | 1.00         |
| TELANGANA      | 1.50         | 0.60        | 6.60        | 0.17        | 8.87         |
| MADHYA PRADESH | 2.30         | 0.20        | 0.50        | NIL         | 3.00         |
| ORISSA         | 0.50         | NIL         | 0.25        | NIL         | 0.75         |
| KARNATAKA      | 0.65         | 0.20        | 0.15        | NIL         | 1.00         |
| <b>TOTAL</b>   | <b>23.60</b> | <b>4.25</b> | <b>9.55</b> | <b>1.92</b> | <b>39.32</b> |



## Since 1921, we are dedicated to the cause of Indian cotton.

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The Cotton Association of India (CAI) is respected as the chief trade body in the hierarchy of the Indian cotton economy. Since its origin in 1921, CAI's contribution has been unparalleled in the development of cotton across India.

The CAI is setting benchmarks across a wide spectrum of services targeting the entire cotton value chain. These range from research and development at the grass root level to education, providing an arbitration mechanism, maintaining Indian cotton grade standards, issuing Certificates of Origin to collecting and disseminating statistics and information. Moreover, CAI is an autonomous organization portraying professionalism and reliability in cotton testing.

The CAI's network of independent cotton testing & research laboratories are strategically spread across major cotton centres in India and are equipped with:

- State-of-the-art technology & world-class Premier and MAG cotton testing machines
- HVI test mode with trash% tested gravimetrically

### LABORATORY LOCATIONS

**Current locations :** • Maharashtra : Mumbai; Yavatmal; Aurangabad • Gujarat : Rajkot; Kadi; Ahmedabad • Andhra Pradesh : Adoni  
• Madhya Pradesh : Khargone • Karnataka : Hubli • Punjab : Bathinda • Telangana: Warangal, Adilabad

### UPCOMING LOCATIONS

• Telangana: Mahbubnagar



### COTTON ASSOCIATION OF INDIA

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| 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 May - June 2019 |                  |                  |                  |                  |                  |
| Sr. No.  | Growth      | Grade Standard | Grade | Staple     | Micronaire | Strength /GPI | 27th   | 28th             | 29th             | 30th             | 31st             | 1st              |
| 1  | P/H/R       | ICS-101        | Fine  | Below 22mm | 5.0-7.0    | 15            | 11642<br>(41400)                                   | 11642<br>(41400) | 11642<br>(41400) | 11642<br>(41400) | 11614<br>(41300) | 11614<br>(41300) |
| 2  | P/H/R       | ICS-201        | Fine  | Below 22mm | 5.0-7.0    | 15            | 11782<br>(41900)                                   | 11782<br>(41900) | 11782<br>(41900) | 11782<br>(41900) | 11754<br>(41800) | 11754<br>(41800) |
| 3  | GUJ         | ICS-102        | Fine  | 22mm       | 4.0-6.0    | 20            | 9983<br>(35500)                                    | 10123<br>(36000) | 10123<br>(36000) | 10067<br>(35800) | 10067<br>(35800) | 10067<br>(35800) |
| 4  | KAR         | ICS-103        | Fine  | 23mm       | 4.0-5.5    | 21            | 11164<br>(39700)                                   | 11248<br>(40000) | 11248<br>(40000) | 11164<br>(39700) | 11164<br>(39700) | 11164<br>(39700) |
| 5  | M/M         | ICS-104        | Fine  | 24mm       | 4.0-5.0    | 23            | 11585<br>(41200)                                   | 11585<br>(41200) | 11529<br>(41000) | 11445<br>(40700) | 11445<br>(40700) | 11445<br>(40700) |
| 6  | P/H/R       | ICS-202        | Fine  | 26mm       | 3.5-4.9    | 26            | 13273<br>(47200)                                   | 13413<br>(47700) | 13301<br>(47300) | 13216<br>(47000) | 13132<br>(46700) | 13104<br>(46600) |
| 7  | M/M/A       | ICS-105        | Fine  | 26mm       | 3.0-3.4    | 25            | 11670<br>(41500)                                   | 11754<br>(41800) | 11810<br>(42000) | 11782<br>(41900) | 11782<br>(41900) | 11782<br>(41900) |
| 8  | M/M/A       | ICS-105        | Fine  | 26mm       | 3.5-4.9    | 25            | 11951<br>(42500)                                   | 12063<br>(42900) | 12063<br>(42900) | 12035<br>(42800) | 12035<br>(42800) | 12035<br>(42800) |
| 9  | P/H/R       | ICS-105        | Fine  | 27mm       | 3.5-4.9    | 26            | 13385<br>(47600)                                   | 13413<br>(47700) | 13357<br>(47500) | 13301<br>(47300) | 13244<br>(47100) | 13188<br>(46900) |
| 10   | M/M/A       | ICS-105        | Fine  | 27mm       | 3.0-3.4    | 26            | 11895<br>(42300)                                   | 11979<br>(42600) | 12007<br>(42700) | 11951<br>(42500) | 11951<br>(42500) | 11951<br>(42500) |
| 11   | M/M/A       | ICS-105        | Fine  | 27mm       | 3.5-4.9    | 26            | 12176<br>(43300)                                   | 12288<br>(43700) | 12288<br>(43700) | 12232<br>(43500) | 12232<br>(43500) | 12232<br>(43500) |
| 12   | P/H/R       | ICS-105        | Fine  | 28mm       | 3.5-4.9    | 27            | 13441<br>(47800)                                   | 13469<br>(47900) | 13413<br>(47700) | 13357<br>(47500) | 13301<br>(47300) | 13244<br>(47100) |
| 13   | M/M/A       | ICS-105        | Fine  | 28mm       | 3.5-4.9    | 27            | 12513<br>(44500)                                   | 12682<br>(45100) | 12682<br>(45100) | 12626<br>(44900) | 12654<br>(45000) | 12654<br>(45000) |
| 14   | GUJ         | ICS-105        | Fine  | 28mm       | 3.5-4.9    | 27            | 12598<br>(44800)                                   | 12766<br>(45400) | 12766<br>(45400) | 12710<br>(45200) | 12738<br>(45300) | 12738<br>(45300) |
| 15   | M/M/A/K     | ICS-105        | Fine  | 29mm       | 3.5-4.9    | 28            | 12823<br>(45600)                                   | 12935<br>(46000) | 12991<br>(46200) | 12935<br>(46000) | 12935<br>(46000) | 12935<br>(46000) |
| 16   | GUJ         | ICS-105        | Fine  | 29mm       | 3.5-4.9    | 28            | 12823<br>(45600)                                   | 12935<br>(46000) | 12935<br>(46000) | 12879<br>(45800) | 12879<br>(45800) | 12879<br>(45800) |
| 17   | M/M/A/K     | ICS-105        | Fine  | 30mm       | 3.5-4.9    | 29            | 13076<br>(46500)                                   | 13188<br>(46900) | 13244<br>(47100) | 13244<br>(47100) | 13244<br>(47100) | 13244<br>(47100) |
| 18   | M/M/A/K/T/O | ICS-105        | Fine  | 31mm       | 3.5-4.9    | 30            | 13413<br>(47700)                                   | 13498<br>(48000) | 13526<br>(48100) | 13526<br>(48100) | 13526<br>(48100) | 13498<br>(48000) |
| 19   | A/K/T/O     | ICS-106        | Fine  | 32mm       | 3.5-4.9    | 31            | 13638<br>(48500)                                   | 13723<br>(48800) | 13751<br>(48900) | 13751<br>(48900) | 13751<br>(48900) | 13751<br>(48900) |
| 20   | M(P)/K/T    | ICS-107        | Fine  | 34mm       | 3.0-3.8    | 33            | 15747<br>(56000)                                   | 15888<br>(56500) | 16028<br>(57000) | 16028<br>(57000) | 15888<br>(56500) | 15888<br>(56500) |

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