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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 27/06/17 to 31/07/17

(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 bounced back higher on profit-taking and on line with international prices. Prices have been on the decline on reports of good sowing progress, benign physical demand, reports of higher stock levels and a normal monsoon forecast.

- Cotton output is expected to hit a three-year high due to switching from other crops. Earnings from cotton are better than other conventional

pulses and grains. Amid unrest among farmers in different states, the MSP of oilseeds and cotton has been raised for the 2017-18 crop year.

- June cotton future contract at MCX are lower and continues to drift lower in line with rising domestic supplies and the global output is expected to climb to 6.9% in the season starting 1 August, helping push stockpiles outside China to a record, the US Department of Agriculture estimates.

- Cotton planting in India is in full swing and the area for planting is expected to climb by more than 10-15 % compared to the previous year.

- India looks likely to receive above the average monsoon rainfall as concern over the El Nino weather condition has eased, and it is set to be normal according to the India Meteorological Department.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures closed up for a second straight session on Monday, after hitting a near 10-month lows earlier in the day, as prospects of a bountiful crop in the new crop year kept buyers on the sidelines.

- The U.S. Department of Agriculture's annual acreage report, which is scheduled for

**EXPERT'S
Column**



Shri Gnanasekar Thiagarajan

release the coming Friday is also awaited. Prices earlier touched their lowest level at 66.15 cents a lb, and are down about 10 percent from the beginning of the month.

- American farmers, the biggest exporters, are forecast to have their biggest harvest in a decade, and crop increases are expected in Australia and top grower India.
- The speculators cut a bullish stance in cotton by 25,303 contracts to 45,183 in the week to June 20, Commodity Futures Trading Commission data showed on Friday. The fifth straight weekly cut brought their net long position to the smallest in about a year.

Let us now dwell on some technical factors that influence price movements.



Technical indications are still weak and neutral now. Prices are moving in a broad range and still sticking around the 11,800-12,200 /qtl range. It is still finding it difficult to sustain and push higher. It could be vulnerable for a drop in the coming month and we can expect prices to edge lower towards the 11,220/qtl range. Failure to hold support here could further weaken the technical picture, pushing it further lower.

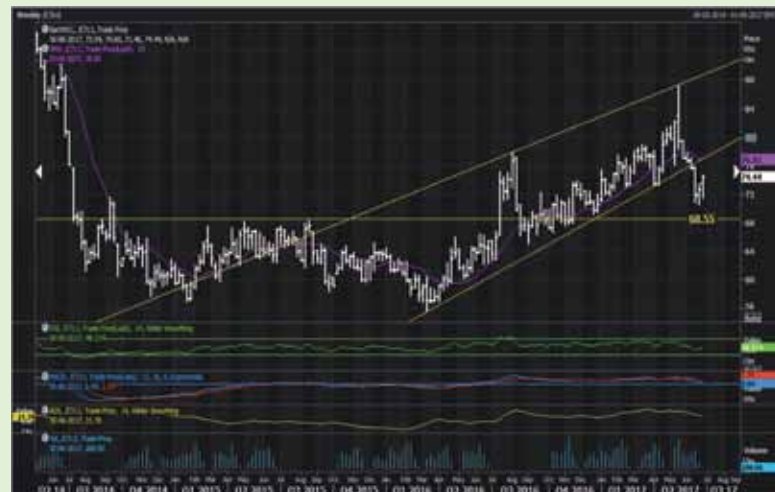


As mentioned previously, indicators are still in a neutral state and prices could remain range bound for a while till some clear directional clues are obtained. We see support now in the 11,300-400/qtl range followed by more important support at 10,800 /qtl zone now. It looks like the upward trend is unlikely to materialise and more pressure on the downside is likely in the coming weeks. The indicators display neutral tendencies and corrective upticks can be strongly capped in the coming month.

MCX June Contract Continuation Chart



The MCX benchmark cotton continuation chart shows signs of an intermediate bottom around 19,500 levels. After the fall from 21,160 to 19,500, prices are showing signs of a recovery, but doubts persists on how long the recovery might sustain and push higher on the back of overwhelming fundamental weakness. We expect prices to find strong resistances around 20,200-300 levels in the coming sessions and eventually decline again towards 19,200.



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

A pullback and recovery are seen in the weekly/daily charts that could drive the price higher marginally towards 76/77c area where certain strong resistances lines are located. It might most probably get resisted in that area for a downward move back towards 70c region or even lower. This is the favoured expectation. Any unexpected direct rise past 78.25 could lessen the chances for the expected initial dip. Any unexpected fall below 70c could caution about the possibility of falling further towards 67c.

Our favoured view is mildly bullish initially for 75-76c levels again. We now expect prices to get resistance in the 75-78c zone before heading lower to 70c again.

CONCLUSION:

Both the domestic and international prices are gradually moving in a range with a bearish bias. The technical picture presently is neutral with some mild indications of bullishness. Only a rise above 78c could revive bullish hopes again. The international prices indicate some near-term strength while the domestic prices look benign.

For Guj ICS supports are seen at 11,800/qtl followed by 11,400/qtl, and for ICE July cotton futures at 72c followed by 70c. Failure to follow-through higher above 12,500 /qtl has weakened the bullish picture in the domestic markets and in the international markets prices are indicating a possible bearish turnaround, and the indicators have turned neutral. The international markets are now expected to edge lower to 70c on the downside and the domestic prices to edge lower around 10,800/qtl levels in the coming weeks after a minor recovery upwards.



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CAI Estimates Cotton Crop For 2016-17 Crop Year At 336.25 Lakh Bales

Cotton Association of India (CAI) has released its May estimate of the cotton crop for the season 2016-17 beginning from 1st October 2016. The CAI has placed its cotton crop estimate for the ongoing crop year at 336.25 lakh bales of 170 kgs. each. The projected Balance Sheet drawn by the CAI estimated total cotton supply for the Season at 406.25 lakh bales while the domestic consumption is estimated at 305.00 lakh bales.

A statement containing the State-wise estimate of the cotton crop and the Balance Sheet for the season 2016-17 with the corresponding data for the previous crop year is given below.

CAI's Estimates of Cotton Crop as on 31st May 2017 for the Seasons 2016-17 and 2015-16

(in lakh bales)

State	Production *		Arrivals As on 31st May 2017 (2016-17)
	2016-17	2015-16	
Punjab	8.75	7.50	8.50
Haryana	20.00	17.00	19.50
Upper Rajasthan	7.25	5.50	7.25
Lower Rajasthan	9.25	10.50	9.25
Total North Zone	45.25	40.50	44.50
Gujarat	89.00	88.00	79.00
Maharashtra	88.00	78.00	85.50
Madhya Pradesh	20.00	18.75	19.50
Total Central Zone	197.00	184.75	184.00
Telangana	48.00	58.00	47.50
Andhra Pradesh	18.50	24.00	17.50

Karnataka	17.00	18.50	15.75
Tamil Nadu	5.50	7.00	4.50
Total South Zone	89.00	107.50	85.25
Orissa	3.00	3.00	3.00
Others	2.00	2.00	2.00
Total	336.25	337.75	318.75

Note: (1) * Including loose

(2) Loose figures are taken for Telangana and Andhra Pradesh separately as proportionate to the crop for the purpose of accuracy

The Balance Sheet drawn by the Association for 2016-17 and 2015-16 is reproduced below:-

(in lakh bales)

Details	2016-17	2015-16
Opening Stock	45.00	67.25
Production	336.25	337.75
Imports	25.00	22.00
Total Supply	406.25	427.00
Mill Consumption	270.00	275.00
Consumption by SSI Units	25.00	25.00
Non-Mill Use	10.00	10.00
Total Domestic Demand	305.00	310.00
Available Surplus	101.25	117.00
Exports	60.00	72.00
Closing Stock	41.25	45.00

Excerpts from India Meteorological Department's Weather Report of June 22, 2017

Highlights for next two week

Southwest Monsoon

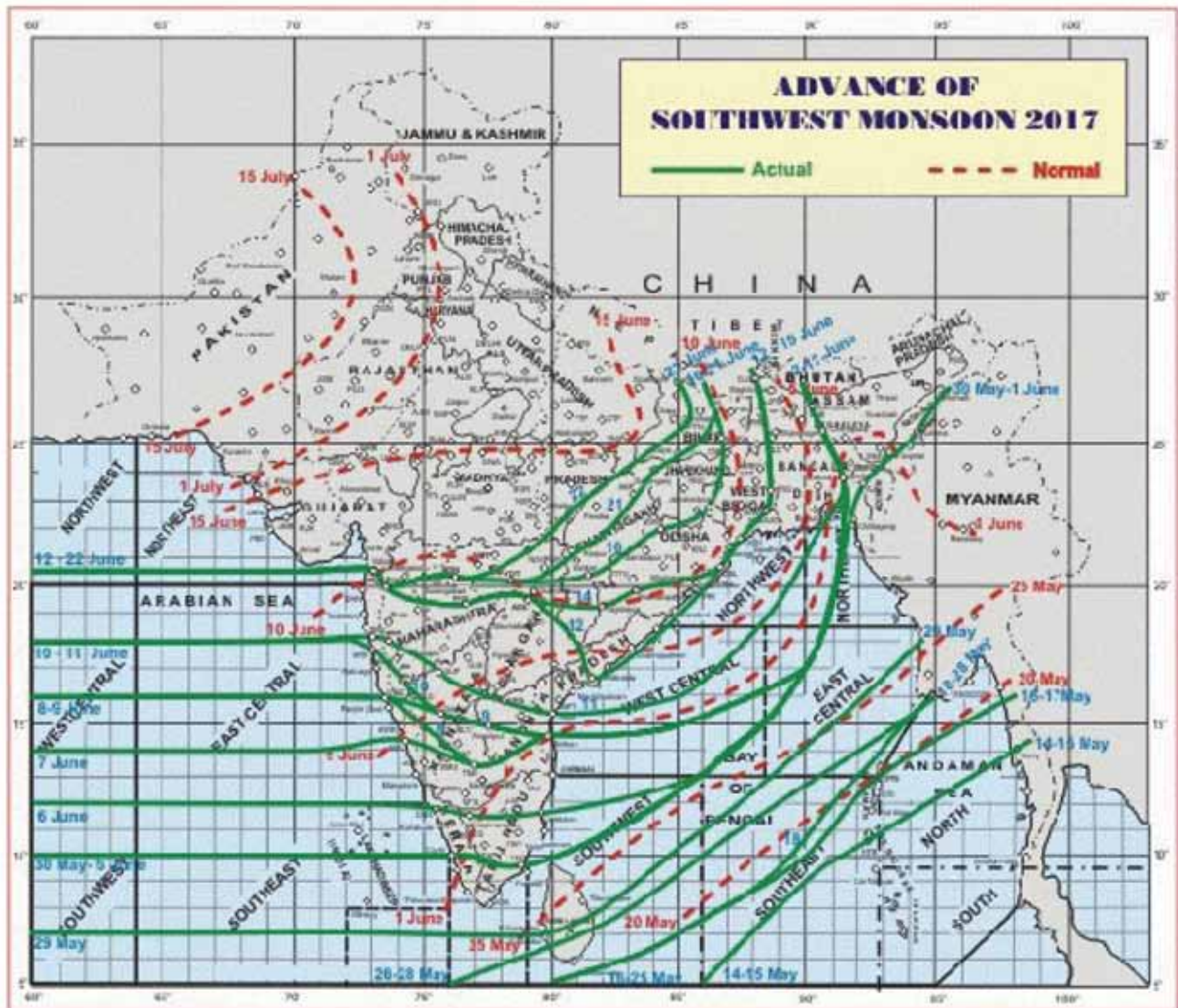
Favourable condition are likely to develop for further advance of southwest monsoon into some more parts of north Arabian sea, south Gujarat, remaining parts of Madhya Maharashtra, Vidarbha, some more parts of East Madhya Pradesh and remaining parts of Bihar and some parts of West Madhya Pradesh and East Uttar Pradesh during next 4-5 days.

Rainfall/snowfall:

During 1st week, light to moderate widespread rainfall is very likely to occur over

Andaman & Nicobar Islands, Sub-Himalayan West Bengal & Sikkim, Odisha, northeastern States and along the west coast with possibility of heavy rainfall activity at isolated places on many days of the week. Rest region of Peninsular India very likely to receive scattered to fairly widespread rainfall activity during the 1st week. Light to moderate scattered to fairly widespread rainfall activity is also likely to occur over rest parts of east India and central India with possibility of increase in intensity towards end of the week. Isolated to scattered rainfall activity is likely to occur over remaining parts of the country. Detail is given in Annexure II. Overall rainfall activity is very likely to be

Annexure I



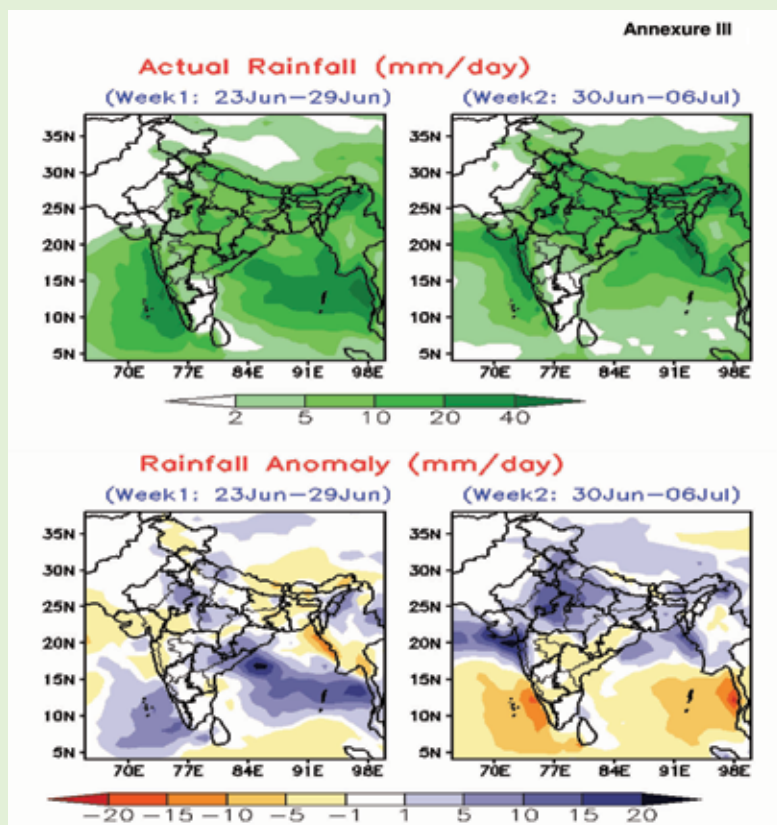
Annexure II

METEOROLOGICAL SUB-DIVISIONWISE WEEKLY RAINFALL FORECAST & WARNINGS-2017

Sr.No	MET.SUB-DIVISIONS	22 JUNE	23 JUNE	24 JUNE	25 JUNE	26 JUNE	27 JUNE	28 JUNE
1	ANDAMAN & NICO.ISLANDS	WS [*]	WS	WS [*]	WS [*]	FWS	WS	WS
2	ARUNACHAL PRADESH	FWS [*]	FWS	WS [*]	WS	FWS	WS	WS
3	ASSAM & MEGHALAYA	WS ^{**}	WS [*]	WS [*]	WS ^{**}	FWS [*]	WS	WS [*]
4	NAGA.MANI.MIZO.& TRIPURA	WS [*]	WS [*]	WS [*]	WS ^{**}	FWS [*]	WS [*]	WS [*]
5	SUB-HIM.W. BENG. & SIKKIM	WS [*]	WS [*]	WS [*]	WS [*]	FWS	WS	WS [*]
6	GANGETIC WEST BENGAL	FWS	SCT	SCT	FWS	FWS	SCT	SCT
7	ODISHA	WS [*]	WS	WS [*]	WS [*]	WS [*]	WS	WS ^{**}
8	JHARKHAND	FWS	SCT	SCT	SCT	FWS	WS	WS
9	BIHAR	FWS	SCT	SCT	FWS	FWS	WS	WS
10	EAST UTTAR PRADESH	SCT	ISOL	ISOL	ISOL	SCT	WS [*]	WS ^{**}
11	WEST UTTAR PRADESH	SCT [§]	ISOL	ISOL	ISOL	SCT	WS [*]	WS [*]
12	UTTARAKHAND	SCT	SCT	SCT	FWS	FWS [§]	WS [*]	WS
13	HARYANA CHD. & DELHI	SCT	ISOL	ISOL	ISOL	ISOL	SCT	WS [*]
14	PUNJAB	ISOL	ISOL	ISOL	ISOL	ISOL	SCT	WS
15	HIMACHAL PRADESH	SCT	ISOL	ISOL	SCT	FWS	FWS	WS [*]
16	JAMMU & KASHMIR	SCT	ISOL	ISOL	ISOL	ISOL	ISOL	SCT
17	WEST RAJASTHAN	SCT [§]	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL
18	EAST RAJASTHAN	FWS [§]	SCT	ISOL	ISOL	ISOL	ISOL	FWS
19	WEST MADHYA PRADESH	FWS	SCT	SCT	SCT	SCT	WS [*]	WS
20	EAST MADHYA PRADESH	FWS ^{TS}	FWS	SCT	SCT	SCT	WS [*]	WS [*]
21	GUJARAT REGION D.D. & N.H.	ISOL	ISOL	SCT	SCT	SCT	ISOL	FWS
22	SAURASTRA KUTCH & DIU	ISOL	ISOL	SCT	SCT	SCT	ISOL	FWS
23	KONKAN & GOA	WS [*]	WS [*]	WS ^{**}	WS ^{**}	WS ^{**}	FWS [*]	WS
24	MADHYA MAHARASHTRA	SCT	FWS	FWS	SCT	SCT	ISOL	SCT
25	MARATHAWADA	ISOL	SCT	FWS	SCT	SCT	SCT	FWS
26	VIDARBHA	FWS	FWS	FWS	FWS	WS [*]	FWS	FWS
27	CHHATTISGARH	FWS ^{TS}	FWS	FWS	FWS [*]	FWS [*]	WS [*]	WS [*]
28	COASTAL ANDHRA PRADESH	SCT [*]	SCT [*]	FWS	FWS	FWS	FWS [*]	WS [*]
29	TELANGANA	ISOL	SCT	SCT	FWS	FWS	FWS	FWS [*]
30	RAYALASEEMA	SCT	SCT	SCT	SCT	SCT	SCT	SCT
31	TAMILNADU & PUDUCHERRY	ISOL	ISOL	ISOL	ISOL	ISOL	SCT	SCT
32	COASTAL KARNATAKA	WS [*]	WS [*]	WS ^{**}	WS ^{**}	WS ^{**}	FWS	FWS
DRY	NORTH INT.KARNATAKA	SCT	SCT	SCT	SCT	FWS	SCT	SCT
34	SOUTH INT.KARNATAKA	SCT	SCT	WS	WS [*]	WS [*]	SCT	SCT
35	KERALA	WS	WS [*]	WS [*]	WS [*]	WS ^{**}	FWS	FWS
36	LAKSHADWEEP	FWS	WS	WS [*]	WS [*]	WS [*]	WS [*]	WS

LEGENDS:

WS	WIDE SPREAD / MOST PLACES (76-100%)	FWS	FAIRLY WIDE SPREAD / MANY PLACES (51% to 75%)		
SCT	SCATTERED / FEW PLACES (26% to 50%)	ISOL	ISOLATED (up to 25%)	DRY	NO STATION REPORTED RAINFALL
[*] Heavy Rainfall (64.5-115.5 mm)	^{**} Heavy to Very Heavy Rainfall (115.6-204.4 mm)	^{**} Extremely Heavy Rainfall (204.5 mm or more)			
[¶] FOG	[*] SNOWFALL	[§] HAILSTORM	[‡] HEAT WAVE	[‡] SEVERE HEAT WAVE	
[§] THUNDER SQUALL	^{DS/TS} DUST/THUNDERSTORM	[‡] COLD WAVE	[‡] SEVERE COLD WAVE		



above normal over most parts of plains of northwest India, many parts of central parts of India and some parts of west coast & northeast India during the 1st week (Annexure III).

During 2nd week, maximum rainfall activity likely to be confined over northern parts of the country. Hence fairly widespread to widespread rainfall activities along with heavy falls on some days are very likely to occur over northwest, central, east & northeast India. Fairly widespread to widespread rainfall activity is likely with isolated heavy falls are also likely to occur along west coast.

Overall rainfall activity is likely to be above normal over most parts northwest, central, east & northeast India and some parts of west coast during 2nd week (Annexure III).

Rainfall Distribution (01.06.2017 to 23.06.2017)

Sr. No.	State	Day 23.06.2017				Period 01.06.2017 to 23.06.2017			
		Actual (mm)	Normal (mm)	% Dep.	Cat.	Actual (mm)	Normal (mm)	% Dep.	Cat.
1	Punjab	2.3	1.4	65%	LE	61.8	25.8	140%	LE
2	Haryana	0.3	1.8	-86%	LD	62.5	26.8	133%	LE
3	West Rajasthan	5.0	1.4	259%	LE	39.0	17.9	118%	LE
	East Rajasthan	7.2	3.0	139%	LE	38.6	33.6	15%	N
4	Gujarat	1.6	7.2	-77%	LD	36.2	62.7	-42%	D
	Saurashtra & Kutch	0.3	7.5	-97%	LD	27.2	53.1	-49%	D
5	Maharashtra	5.0	9.0	-45%	D	145.1	134.5	8%	N
	Madhya Maharashtra	2.4	5.4	-55%	D	116.0	98.8	17%	N
	Marathwada	2.7	5.2	-48%	D	158.9	103.5	54%	E
	Vidarbha	6.3	8.1	-22%	D	97.5	103.3	-6%	N
6	West Madhya Pradesh	7.1	5.5	29%	E	79.2	60.6	31%	E
	East Madhya Pradesh	4.1	7.9	-49%	D	47.7	75.1	-37%	D
7	Telangana	8.0	5.0	60%	LE	154.4	91.7	68%	LE
8	Coastal Andhra Pradesh	1.7	3.6	-52%	D	103.4	72.8	42%	E
	Rayalseema	1.5	2.4	-36%	D	78.7	55.0	43%	E
9	Coastal Karnataka	9.2	36.7	-75%	LD	553.1	607.2	-9%	N
	N.I. Karnataka	1.2	3.4	-65%	LD	113.2	76.2	49%	E
	S.I. Karnataka	1.1	5.1	-78%	LD	73.7	100.0	-26%	D
10	Tamil Nadu & Pondicherry	0.4	1.6	-76%	LD	35.3	37.6	-6%	N
11	Orissa	5.8	9.4	-38%	D	139.1	147.7	-6%	N

L. Excess, Excess, Normal, Deficient, L. Deficient

Source : India Meteorological Department, Hydromet Division, New Delhi

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) 2016-17 Crop JUNE 2017					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	19th	20th	21st	22nd	23rd	24th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	10067 (35800)	10067 (35800)	10067 (35800)	10039 (35700)	10011 (35600)	10011 (35600)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	10320 (36700)	10320 (36700)	10320 (36700)	10292 (36600)	10264 (36500)	10264 (36500)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	8267 (29400)	8211 (29200)	8155 (29000)	8099 (28800)	8099 (28800)	8099 (28800)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9420 (33500)	9392 (33400)	9392 (33400)	9392 (33400)	9392 (33400)	9392 (33400)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	10517 (37400)	10489 (37300)	10489 (37300)	10489 (37300)	10489 (37300)	10489 (37300)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	12092 (43000)	12092 (43000)	12063 (42900)	12007 (42700)	11979 (42600)	11979 (42600)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	9533 (33900)	9561 (34000)	9561 (34000)	9561 (34000)	9561 (34000)	9589 (34100)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	10151 (36100)	10151 (36100)	10151 (36100)	10151 (36100)	10151 (36100)	10151 (36100)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12260 (43600)	12260 (43600)	12232 (43500)	12176 (43300)	12148 (43200)	12148 (43200)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	10264 (36500)	10320 (36700)	10320 (36700)	10320 (36700)	10320 (36700)	10348 (36800)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10798 (38400)	10798 (38400)	10798 (38400)	10798 (38400)	10798 (38400)	10798 (38400)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	12317 (43800)	12317 (43800)	12288 (43700)	12232 (43500)	12204 (43400)	12204 (43400)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	11473 (40800)	11473 (40800)	11473 (40800)	11501 (40900)	11501 (40900)	11501 (40900)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	11670 (41500)	11670 (41500)	11670 (41500)	11614 (41300)	11614 (41300)	11529 (41000)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	11838 (42100)	11838 (42100)	11838 (42100)	11867 (42200)	11923 (42400)	11923 (42400)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)	12007 (42700)	11951 (42500)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	12148 (43200)	12148 (43200)	12148 (43200)	12148 (43200)	12148 (43200)	12148 (43200)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	12485 (44400)	12485 (44400)	12485 (44400)	12485 (44400)	12485 (44400)	12485 (44400)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)	12879 (45800)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15607 (55500)	15607 (55500)	15607 (55500)	15607 (55500)	15607 (55500)	15607 (55500)

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