

Weekly Publication of



**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 02/07/19 to 05/08/19

*(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 edged higher, on anticipation of decline in production in the coming days. However, poor overseas demand for the crop especially in China capped the uptrend.

- The Cotton Advisory Board of India has pegged domestic production in 2018-19 at 337 lakh bales, less than the previous year's harvest

of 370 lakh bales. One bale of cotton weighs 170 kilograms. Output is seen taking a hit, as high summer temperatures, delayed onset of monsoons and water shortage, especially in key cotton growing states of Telangana, Andhra Pradesh, Karnataka and Maharashtra has affected the cotton yield, which has driven prices higher.

- USDA estimates India's marketing year (MY) 2019/20 cotton production at 29.3 million 480 lb. bales (37.5 million 170-kilogram bales/6.4 MMT) with a planting area of 12.5 million hectares. Planted area for kharif 2019 season in North India is 18 percent higher than last year, prompted by high domestic seed cotton prices. Last week, local markets reacted to the Cotton Advisory Board revisions of its MY 2018/19 estimates. Raw cotton exports remain sluggish due to weak global demand, which is also reflected in limited purchases by mills.

Some of the fundamental drivers for International cotton

prices are:

- ICE cotton futures rose on Tuesday as optimism on a prospective trade truce between USA and China and uncertainty around the crop condition lent further support to the natural fibre.

- The active contract rose as much as 3% in the previous session to touch its highest in a

### EXPERT'S Column



**Shri Gnanasekar Thiagarajan**  
Director, Commtrendz Research

month at 68.35 cents per lb, after US President Donald Trump said China has agreed to buy US farm products and resume trade talks. He also added that any trade deal with China would need to be “somewhat tilted” in favour of the United States.

- Meanwhile, the USDA’s crop progress report on Monday showed that only 52% of the crop was in good/excellent condition, while 18% of the natural fibre was in poor/very poor condition.

- India’s monsoon rains were 24% below average in the week ended June 26, the weather office said on Thursday, as the seasonal rainfall was scanty over central and western parts of the country. The rains are crucial for farm output and economic growth as about 55% of the south Asian nation’s arable land is rain-fed, and the farm sector makes up about 15% of a nearly \$2.5-trillion economy that is Asia’s third-biggest.

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 below. our favoured view expects prices to edge while supports at 12,500 remain 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.

### MCX July Contract Chart

The MCX benchmark July 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 are consolidating from here for an up move again towards 23,000 or even higher. Supports are now at 21,000 levels now. A close below 21,000 could see prices correcting lower to 20,250-300 levels now. It is a significant support and most likely prices are expected to hold here and rise higher again.

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 with a strong support level in the coming weeks. Prices hit 64.86c and bounced higher from there. Though, it looks like the bounce could regain 70c or even higher, 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:**

As mentioned before, 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 to

neutral fundamentals could cushion the declines and any upside could only be short-lived.

For Guj ICS supports are seen at 12,200/ qtl followed by 12,000/qtl, and for ICE Jul cotton futures at 64c followed by 58c. 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 is also gradually turning neutral to bearish, but relatively less bearish compared to the international prices. We favour prices to consolidate and testing support levels subsequently.



# Cotton Farmer – From Gloom to Bloom

*Shri. B.K. Patodia is the Chairman and Managing Director of GTN Textiles Ltd., Chairman of Patspin India Ltd. and GTN Enterprises Ltd. Under his leadership, GTN group has expanded from 12000 spindles to 215000 spindles.*

*He did his Bachelor of Engineering from Birla Institute of Science and Technology, Pilani. He is the past Chairman of Confederation of Indian Textile Industry (CITI), The Cotton Textiles Export Promotion Council (TEXPROCIL), Southern India Mills Association*



## GUEST COLUMN

**Shri. B. K. Patodia**  
Chairman, GTN Group

*(SIMA), and was President of the Employers' Federation of Southern India, Chennai and Cochin Chamber of Commerce and Industry, Cochin. He continues to serve on the Cotton Advisory Board constituted by the Textile Ministry.*

*Shri. Patodia is the past Chairman of the Joint Cotton Committee of International Textile Manufacturers Federation (ITMF), Zurich. He is also a member of the Advisory Board on the Committee*

*of Management of ITMF and also a member of the Spinners Committee of ITMF.*

My experience of running a group of spinning mills for the past several decades, points out to the stark reality that without the farmers doing well, the entire cotton ecosystem and eventually the textile mills sector will never perform at its peak.

The interests of the farmers have to be considered much beyond vested interests and vote bank politics. Farmers pretty much sit right at the start of the cotton economy. It is absolutely imperative that they get their deserved share of goodwill and income, as this will only help the industry to realign themselves with the global markets and increased profitability. Even if this requires all the stakeholders of the cotton economy to come together, it is just a small price to pay.

Recently there has been a lot of talk by various political parties including our Prime Minister from the ruling party, expressing their support to substantially increase the income of farmers. No doubt, it is a laudable objective but it also needs an in-depth analysis as to how it can be done without undue intervention by the government.

In recent years, we are all aware of the futile action taken by the Chinese government to fix artificially higher prices to give incentive to farmers. The scheme was a massive failure and the Chinese government was obliged to create a huge buffer stock and in the process, billions of dollars were lost.

Therefore, we have to find a solution which

can keep both farmers and consumers satisfied without putting undue burden on either of them.

We are all too aware that the Indian cotton suffers from the following:

- (a) Low and Poor Productivity
- (b) Contamination
- (c) High level of trash and immaturity
- (d) Adulteration by mixing a certain percentage of inferior cotton

Let us examine the impact of these drawbacks. The cotton productivity in kgs. of lint/ha from the 1980s until the end of the century per hectare was languishing from 160 kgs. to 220 kgs. It was only after the advent of genetically modified Bt seeds were introduced, the productivity crossed 500 kgs. in the year 2005-06. It reached a peak of 550 kgs. in the year 2007-08 and is currently stagnant at around 500 kgs. Increase in productivity will benefit both the farmers and the consumers. Improved cotton variety, irrigation, fertilizer and pest management and high-density sowing will yield beneficial results. We should aim for achieving at least the world average of 750 kg/ha.

According to the recent contamination survey by International Textiles Manufacturers Federation (ITMF), Indian cottons are found to be one of the most contaminated cotton in the world. As a result, even though, the fibre characteristics of Indian cotton is sometimes equal or even better

than other foreign growth, due to poor handling of raw cotton during processing, including use of polypropylene bags results in a lower price realisation.

So, producing first grade yarns of world class quality from Indian cottons is a greater challenge. Contaminations present in the fabric not only deteriorates the quality and appearance of fabric, but also affects the profits of the organisation.

As a comparison, the West African cotton with a very low level of contamination commands a price of 96 cents/lbs. at present, whereas equivalent Indian cotton hardly fetches 83 cents/lbs.

The Technology Mission for Cotton with its 4 Mini Missions did a commendable job of improving ginning, pressing, market yards and to a great extent brought awareness regarding the ill effects of contamination. The industry association CITI (Confederation of Indian Textile Industry) has very strongly recommended continuation of this scheme which we are sure will be very useful in reducing and eliminating contamination.

Moreover, improved handling of raw cotton and ginned cotton during further processing will result in lower trash. Recently, SIMA-CDRA has developed an excellent mechanical boll plucker, which increases the productivity of plucking and also brings the cost down as less labour is required for plucking.

Some of the ginners have the undesired practice of mixing inferior variety of ginned cotton during ginning and pressing. Such practices should be eliminated because they compromise on their reputation and goodwill, for a paltry gain.

Finally, we should understand that 'cotton is a derived demand' and as such good quality is a must. The fundamental economic principle is that 'Supply is a push factor'. This principle should be looked at as an opportunity for the farmers where their income could steadily increase without unduly burdening the customers.

*Courtesy: Cotton India 2018 (Domestic)*  
(The views expressed in this column are of the author and not that of Cotton Association of India)

## Update on Cotton Acreage (As on 27.06.2019)

Sr. No.	State	Normal Area (DES)*	Normal Area as on Date (2014-2018)	Area Covered (SDA)					
				2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Andhra Pradesh	6.56	1.034	0.180	0.460	1.451	0.480	0.733	0.690
2	Telangana	17.00	7.386	3.441	5.780	8.810	5.890	11.250	5.080
3	Gujarat	26.04	6.868	5.060	2.420	4.960	3.270	7.630	7.220
4	Haryana	6.06	5.666	6.760	6.650	6.300	4.980	5.810	6.380
5	Karnataka	6.47	2.120	0.543	1.940	1.310	1.710	2.820	2.500
6	Madhya Pradesh	5.65	3.393	3.010	1.570	3.039	2.720	5.300	1.270
7	Maharashtra	41.48	11.537	0.194	6.260	12.430	5.315	19.870	3.560
8	Odisha	1.31	0.247	0.122	0.024	0.022	0.295	0.180	0.330
9	Punjab	3.56	4.182	4.020	2.840	3.820	2.560	4.500	5.000
10	Rajasthan	4.76	2.840	3.450	4.050	3.620	3.170	1.830	2.830
11	Tamil Nadu	1.61	0.102	0.031	0.032	0.052	0.031	0.030	0.300
12	Others	0.43	0.231	0.271	0.172	0.286	0.170	0.210	0.260
<b>All India</b>		<b>120.930</b>	<b>45.606</b>	<b>27.082</b>	<b>32.198</b>	<b>46.100</b>	<b>30.591</b>	<b>60.163</b>	<b>35.420</b>

\* Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare, Krishi Bhavan, New Delhi

Source : Directorate of Cotton Development, Nagpur



**Since 1921,**  
**we are dedicated to the cause of Indian cotton.**  
 Just one of the reasons, you should use our Laboratory Testing Services.

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



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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 June 2019					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPI	24th	25th	26th	27th	28th	29th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11585 (41200)	11585 (41200)	11585 (41200)	11585 (41200)	11585 (41200)	11585 (41200)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11726 (41700)	11726 (41700)	11726 (41700)	11726 (41700)	11726 (41700)	11726 (41700)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)	10882 (38700)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	11164 (39700)	11164 (39700)	11164 (39700)	11164 (39700)	11164 (39700)	11164 (39700)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	12907 (45900)	12851 (45700)	12851 (45700)	12879 (45800)	12851 (45700)	12851 (45700)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	11782 (41900)	11726 (41700)	11670 (41500)	11670 (41500)	11614 (41300)	11557 (41100)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	12063 (42900)	12007 (42700)	11951 (42500)	11951 (42500)	11895 (42300)	11838 (42100)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12991 (46200)	12991 (46200)	12991 (46200)	13020 (46300)	12991 (46200)	12991 (46200)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	12035 (42800)	11951 (42500)	11895 (42300)	11895 (42300)	11838 (42100)	11782 (41900)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	12176 (43300)	12092 (43000)	12063 (42900)	12063 (42900)	12007 (42700)	11951 (42500)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	13048 (46400)	13048 (46400)	13048 (46400)	13076 (46500)	13048 (46400)	13048 (46400)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	12541 (44600)	12485 (44400)	12457 (44300)	12457 (44300)	12429 (44200)	12429 (44200)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	12513 (44500)	12457 (44300)	12457 (44300)	12457 (44300)	12457 (44300)	12457 (44300)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	12738 (45300)	12710 (45200)	12710 (45200)	12710 (45200)	12682 (45100)	12682 (45100)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	12682 (45100)	12654 (45000)	12654 (45000)	12654 (45000)	12654 (45000)	12654 (45000)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	13048 (46400)	13020 (46300)	13020 (46300)	13020 (46300)	12991 (46200)	12963 (46100)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	13357 (47500)	13357 (47500)	13301 (47300)	13301 (47300)	13273 (47200)	13244 (47100)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	13610 (48400)	13610 (48400)	13610 (48400)	13610 (48400)	13610 (48400)	13554 (48200)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	15269 (54300)	15466 (55000)	15550 (55300)	15550 (55300)	15550 (55300)	15550 (55300)

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