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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 04/09/18 to 30/09/18

(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 marginally on MCX due to rising demand from domestic mills at the spot market. Though, some gains were capped on reports of improvement in acreage and lesser pest attacks in Maharashtra.

- The dull white larva with a pink banding on its upper side, which chews through the lint to feed on the seeds of the raw cotton or kapas, is the least market concern this year. This year, too, there has been no attack so far.

- Also, the latest release from United States Department of Agriculture (USDA) forecasts India's marketing year 2018/19 cotton production at 28.5

million 480 lb. bales on 11.8 million hectares. Planting is near completion and the return of monsoon rains has improved yield prospects.

- The Cotton Association of India (CAI) has released its July estimate of the cotton crop for the season 2017-18 beginning from 1st October 2017. The CAI has maintained its cotton crop estimate for the ongoing crop year 2017-18 at 365 lakh bales of 170 kgs.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures fell over 1 percent on Wednesday, the most since mid-August, on lingering fears of an escalation in the U.S.-China trade dispute, and as storm Gordon caused minimal damage to crops.

- As Gordon made a fast-track dash toward the Alabama/Mississippi coast and quickly moved inshore over the weakened, causing minimal damage to crops in that area.

- Meanwhile, the U.S. Department of Agriculture (USDA) in its weekly crop progress report on Tuesday showed a slight deterioration in the crop condition. The report showed 41 percent of the cotton crop was in good to excellent condition versus 44 percent a week ago and 65 percent last year.

- The 2018/19 season is projected to see a 3% decrease in production, a 3% increase in consumption, and a 10% drop in global stocks, which would bring the world's cotton reserves down to a level not seen

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

since the 2011/12 season. The global stocks-to-use ratio is expected to drop to about seven months of mill use (0.61), ICAC has estimated.

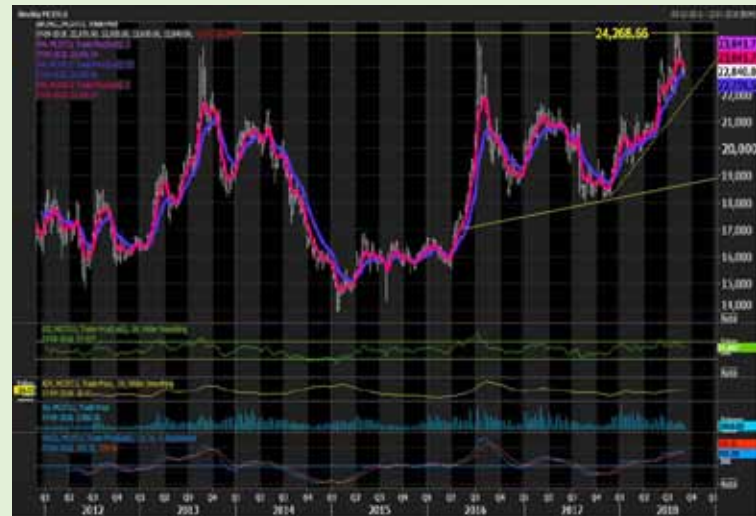


As mentioned in the previous update, prices are near a five-year high and threatening to push further higher. We were expecting positive signs hinting at further bullishness ahead, and the view stands vindicated. Prices are however, struggling around 13,600 and showing signs of fatigue. This might result in a fall upto 13,000 at least or even lower in the coming sessions. Only an unexpected rise above 13,700 could once again reignite bullish hopes for 14,250-500 levels.



As mentioned previously, mild overbought conditions and divergences in the indicators hint at a corrective downward tilt in the coming sessions. Downward corrections are possible but might not be major ones. With supports at 13,000 levels on the downside, we can expect prices to gradually edge higher from here towards 13,700-800 levels or even higher in the coming month. But, a decline below 12,800 could hint at weakness again, and prices are expected to remain in the 12,500-13,000 zone for some time before edging higher again.

MCX October Contract Chart



The MCX benchmark October cotton chart is moving exactly as per expectations. The long-term resistance at 24,200 has been acting as a strong barrier and more impetus is needed to take the resistance out. Only, a close above here could see prices further edging higher to 24,600 followed by the psychologically important 25,000 level. As of now, we expect prices to fall below 22,000 levels, but despite that, the trend could still be positive.

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



As mentioned earlier, prices were expected to edge higher above towards 95-97c where strong resistances kick in. As mentioned in the previous update, a correction is underway presently and it can extend till the 79-80c level. It appears like prices could drop even lower to 75-76c in the coming sessions. Supports have not been holding that well, which makes us believe that more downside will be seen in the coming weeks. However, only an unexpected rise and close above 91c could revive bullish hopes for \$1.00 subsequently.

CONCLUSION:

Both the domestic and international prices are finding it tough to cross the multi-month highs made and long-term resistance levels. The technical bigger picture is bullish with chances of even a stronger market ahead. But, prices could correct lower in a broad range before breaking out further higher, and close above 91c. Such a move could again revive bullish hopes for the long-term target of \$110-14. The international prices indicate more corrective declines in the coming weeks, but the medium-term picture still looks neutral to positive, while the domestic prices also looks vulnerable for a decline before trying to climb higher again.

For Guj ICS supports are seen at 13,000/qlt followed by 12,500 /qlt, and for ICE Oct cotton futures at 75-76. The rise above 12,500 /qlt has once again revived the bullish picture in the domestic markets and in the international markets prices are indicating a strong downward trend before they resume the uptrend. As mentioned earlier, prices are nearing a strong long-term resistance zone and could take a while to break it higher. The domestic technical picture is turning weaker as the international one, but it might not be a one-way streak and corrections can be expected from time to time. We favour prices to consolidate testing support levels mentioned above and then gradually trying to get a footing again for edging higher subsequently.



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Established 1927



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2nd Domestic Conference for the Season 2017 - 2018

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"The Maharashtra Cotton Ginners Association"

Enhancing The Brand Value of Indian Cotton

Venue: Hotel Rama International, Aurangabad, Maharashtra

Excerpts from India Meteorological Department's Weather Report of 30th August 2018

Forecast for next two week

Weather systems & associated Precipitation during Week 1 (30 August to 05 September, 2018) and Week 2 (06 to 12 September, 2018)

♦ Fairly widespread to widespread rainfall with isolated heavy falls (on a few days) is very likely over northeastern states, West Bengal &

Sikkim, Odisha, Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh, Uttar Pradesh and Uttarakhand during most days of the 1st week.

♦ Light/moderate scattered to fairly widespread rainfall activity is very likely to occur over remaining parts of the country outside Jammu

Annexure III

METEOROLOGICAL SUB-DIVISIONWISE WEEKLY RAINFALL FORECAST & Wx. WARNINGS-2018

Sr. No	MET.SUB-DIVISIONS	30 AUG	31AUG	01 SEP	02 SEP	03 SEP	04 SEP	05 SEP
1	ANDAMAN & NICO.ISLANDS	WS*	WS	FWS	FWS	FWS	FWS	FWS
2	ARUNACHAL PRADESH	FWS	FWS*	WS*	WS*	FWS	FWS*	SCT
3	ASSAM & MEGHALAYA	SCT	SCT	WS**	WS*	FWS	FWS*	FWS
4	NAGA.MANI.MIZO.& TRIPURA	SCT	FWS*	WS**	WS	FWS	FWS	FWS
5	SUB-HIM.W. BENG. & SIKKIM	WS**	WS*	WS	WS*	WS	FWS*	FWS
6	GANGETIC WEST BENGAL	FWS	FWS*	FWS	WS*	WS	WS	FWS
7	ODISHA	FWS*	FWS*	FWS	FWS	FWS	SCT	SCT
8	JHARKHAND	FWS	WS	WS	WS	WS*	WS	FWS
9	BIHAR	FWS*	FWS	FWS	WS	WS*	WS*	WS
10	EAST UTTAR PRADESH	FWS*	FWS*	WS*	FWS*	FWS	FWS	SCT
11	WEST UTTAR PRADESH	FWS*	FWS*	WS*	WS*	FWS	SCT*	SCT
12	UTTARAKHAND	FWS*	WS*	WS*	WS*	WS*	FWS*	FWS*
13	HARYANA CHD. & DELHI	ISOL	SCT*	SCT*	FWS*	FWS	SCT	ISOL
14	PUNJAB	ISOL	ISOL	ISOL	SCT	SCT	ISOL	ISOL
15	HIMACHAL PRADESH	SCT*	SCT	SCT	FWS	FWS	SCT	SCT*
16	JAMMU & KASHMIR	ISOL	ISOL	ISOL	SCT	SCT	ISOL	ISOL
17	WEST RAJASTHAN	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL	DRY
18	EAST RAJASTHAN	SCT*	SCT*	FWS*	FWS	SCT	SCT*	ISOL
19	WEST MADHYA PRADESH	FWS	FWS*	FWS*	FWS*	FWS*	SCT	SCT
20	EAST MADHYA PRADESH	WS*	WS**	FWS*	FWS	FWS	SCT	SCT
21	GUJARAT REGION D.D. & N.H.	SCT	SCT	SCT	SCT	SCT	ISOL	ISOL
22	SAURASTRA KUTCH & DIU	ISOL	ISOL	SCT	SCT	ISOL	ISOL	DRY
23	KONKAN & GOA	WS	WS	WS	WS	WS	FWS	SCT
24	MADHYA MAHARASHTRA	SCT	SCT	SCT	SCT	SCT	SCT	SCT
25	MARATHAWADA	ISOL	ISOL	ISOL	SCT	ISOL	ISOL	ISOL
26	VIDARBHA	SCT	SCT	SCT	SCT	SCT	SCT	SCT
27	CHHATTISGARH	FWS*	FWS	FWS	FWS	FWS	SCT	SCT
28	COASTAL ANDHRA PRADESH	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL
29	TELANGANA	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL
30	RAYALASEEMA	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL	ISOL
31	TAMILNADU & PUDUCHERRY	SCT*	SCT*	SCT	ISOL	ISOL	FWS*	SCT
32	COASTAL KARNATAKA	FWS	FWS	FWS	FWS	FWS	FWS	SCT
33	NORTH INT.KARNATAKA	FWS	SCT	SCT	SCT	SCT	SCT	SCT
34	SOUTH INT.KARNATAKA	FWS	FWS	FWS	SCT	SCT	SCT	SCT
35	KERALA	SCT	FWS	FWS	SCT	SCT	SCT	SCT
36	LAKSHADWEEP	SCT	SCT	SCT	SCT	SCT	SCT	FWS

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%)	D/DRY	NIL 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 (+4.5°C to +6.4°C)	⚡ SEVERE HEAT WAVE (> +6.4)
§ THUNDERSTORM WITH SQUALL/GUSTY WIND		DS/TS DUST/THUNDERSTORM	⚡ COLD WAVE (-4.5°C to -6.4°C)	⚡ SEVERE COLD WAVE (< -6.4)	

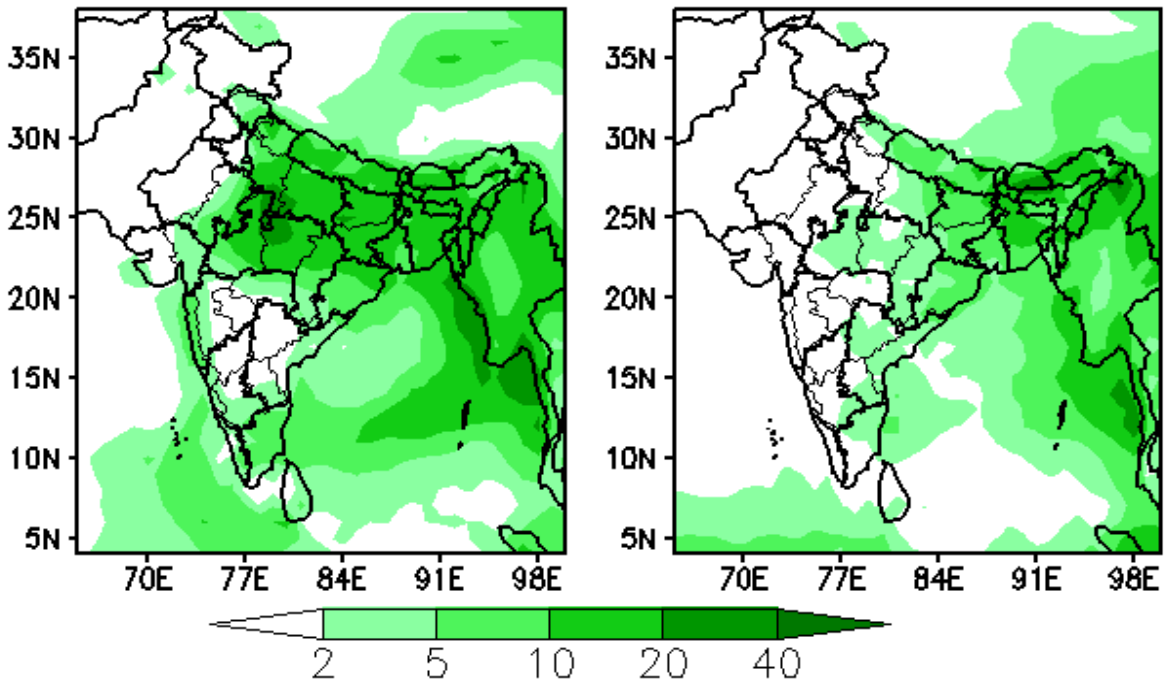
& Kashmir, West Rajasthan, Saurashtra, Kutch & Diu, Andhra Pradesh, Telangana, where light isolated rainfall is very likely to occur during most days of the 1st week (Annexure III).

normal over most parts of east & central India, some parts of northeastern states and over Uttar Pradesh & south Tamilnadu during 1st week. During 2nd week, rainfall activity likely to decrease and likely to be below normal over most parts of the country (Annexure IV).

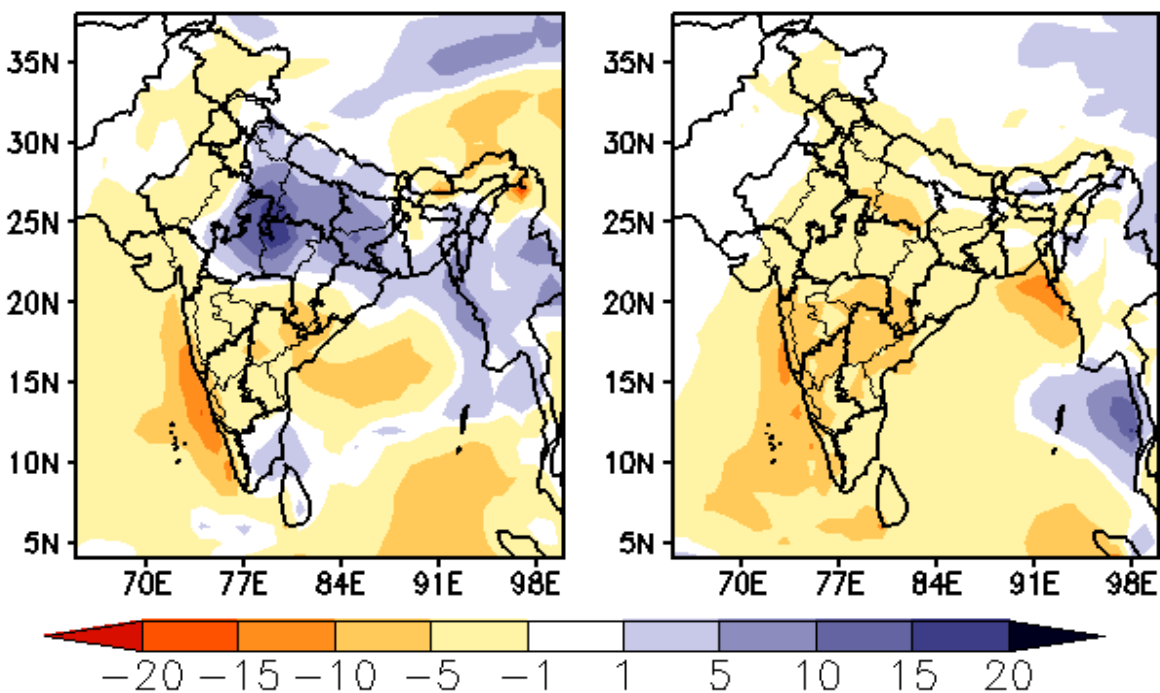
- ◆ Overall rainfall activity is likely to be above

Annexure IV

Forecast rainfall (mm per day)
 (Week1: 31Aug–06Sep) (Week2: 07Sep–13Sep)



Forecast rainfall anomaly (mm per day)
 (Week1: 31Aug–06Sep) (Week2: 07Sep–13Sep)



Minimum Support Prices for Kapas of Fair Average Quality for the Cotton Season 2018-2019 (October-September)

(In Rs. per quintal)

Sr. No.	Classes of Cotton	Fibre Quality Parameters		Minimum Support Prices (MSP) for 2018-19	Names of the Indicative Varieties used by the Trade
		Basic Staple Length (2.5% Span Length) in MM	Micronaire Value		
(i)	(ii)	(iii)	(iv)	(v)	(vi)
Short Staple (20 mm & below)					
1		-	7.0-8.0	4650	Assam Comilla
2		-	6.8-7.2	4650	Bengal Deshi
Medium Staple (20.5 mm - 24.5 mm)					
3		21.5 - 22.5	4.8 - 5.8	4900	Jayadhar
4		21.5 - 23.5	4.2 - 6.0	4950	V-797 / G.Cot.13 / G. Cot.21
5		23.5 - 24.5	3.4 - 5.5	5000	AK/Y-1 (Mah & M.P.) / MCU-7 (TN)/SVPR-2 (TN)/PCO-2 (AP & Kar) / K-11 (TN)
Medium Long Staple (25.0 mm - 27.0 mm)					
6		24.5 - 25.5	4.3 - 5.1	5150	J-34 (Raj.)
7		26.0 - 26.5	3.4 - 4.9	5250	LRA-5166/KC-2 (TN)
8		26.5 - 27.0	3.8 - 4.8	5300	F-414/H-777/J-34 Hybrid
Long Staple (27.5 mm - 32.0 mm)					
9		27.5 - 28.5	4.0 - 4.8	5350	F-414/H-777/J-34 Hybrid
10		27.5 - 28.5	3.5 - 4.7	5350	H-4/H-6/MECH/RCH-2
11		27.5 - 29.0	3.6 - 4.8	5400	Shankar-6/10
12		29.5 - 30.5	3.5 - 4.3	5450	Bunny/Brahma
Extra Long Staple (32.5 mm & above)					
13		32.5 - 33.5	3.2 - 4.3	5650	MCU-5/Surabhi
14		34.0 - 36.0	3.0 - 3.5	5850	DCH-32
15		37.0 - 39.0	3.2 - 3.6	6650	Suvin

(i) If the micronaire value is in the range of 3.8 to 4.2 for Staple Length of 24.5 - 25.5 mm mentioned at Sr. No.6 of above table, a premium of Rs. 30/- per quintal will be given over and above the MSP. If the micronaire happens to be less than 3.8 or more than 5.1, the MSP will be lower by Rs. 15/- per quintal for every 0.2 micronaire.

(ii) If the micronaire values are outside the range in the column (iv) for staple lengths at Sr. No.9 to 15 of above table, a lower MSP of Rs. 25/- per quintal will be given for every 0.2 micronaire value.

(iii) The Minimum acceptable micronaire value shall be 2.8 for Extra Long Staple Cotton mentioned at Sr. No. 13 to 15 of above table. Minimum acceptable micronaire value shall be 3.0 for other varieties of cotton at Sr. No.1 to 12 of the above table.

(iv) The names of varieties mentioned in column No. (vi) of the aforesaid table are only indicative related to the respective length group.

(v) The base line moisture content of kapas shall be 8%. The farmer selling cotton having moisture above 8% but upto 12% will get lesser price proportionately, while it will be a proportionate incentive, if the moisture content of the produce is less than 8%. For the purpose of undertaking price support operation by the designated Procurement Agencies, moisture content of more than 12% is not permitted. The incentive / disincentive will be made on the basis of rate per quintal of kapas on pro-rata basis.

(vi) The procurement agencies should ensure that micronaire and other fibre quality parameters are scientifically assessed by providing the required infrastructure / facilities at the purchase centres.

The Cotton Corporation of India Ltd. (CCI) will be the central nodal agency for undertaking price support operations for cotton. National Agricultural Co-operative Marketing Federation of India Ltd. (NAFED) would supplement efforts of CCI for cotton procurement.

The Minimum Support Price will be effective from 01.10.2018.

Source : Office of the Textile Commissioner

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) 2017-18 Crop AUGUST - SEPTEMBER 2018					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	27th	28th	29th	30th	31st	1st
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	12598 (44800)	12598 (44800)	12598 (44800)	12598 (44800)	12513 (44500)	12457 (44300)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	12738 (45300)	12738 (45300)	12738 (45300)	12738 (45300)	12654 (45000)	12598 (44800)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	9392 (33400)	9364 (33300)	9364 (33300)	9336 (33200)	9336 (33200)	9336 (33200)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	10264 (36500)	10264 (36500)	10264 (36500)	10236 (36400)	10236 (36400)	10236 (36400)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	11164 (39700)	11164 (39700)	11164 (39700)	11135 (39600)	11135 (39600)	11135 (39600)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	12935 (46000)	12963 (46100)	12935 (46000)	12907 (45900)	12907 (45900)	12907 (45900)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	11164 (39700)	11192 (39800)	11192 (39800)	11192 (39800)	11192 (39800)	11192 (39800)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	11529 (41000)	11557 (41100)	11557 (41100)	11557 (41100)	11557 (41100)	11557 (41100)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	12991 (46200)	13020 (46300)	12991 (46200)	12963 (46100)	12963 (46100)	12963 (46100)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	11670 (41500)	11670 (41500)	11670 (41500)	11670 (41500)	11670 (41500)	11670 (41500)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	12120 (43100)	12120 (43100)	12120 (43100)	12120 (43100)	12120 (43100)	12120 (43100)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	13048 (46400)	13076 (46500)	13048 (46400)	13020 (46300)	13020 (46300)	13020 (46300)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	12935 (46000)	12935 (46000)	12935 (46000)	12935 (46000)	12935 (46000)	12935 (46000)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	13104 (46600)	13104 (46600)	13104 (46600)	13104 (46600)	13076 (46500)	13076 (46500)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	13273 (47200)	13273 (47200)	13273 (47200)	13273 (47200)	13273 (47200)	13273 (47200)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	13441 (47800)	13441 (47800)	13441 (47800)	13441 (47800)	13413 (47700)	13413 (47700)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	13357 (47500)	13357 (47500)	13357 (47500)	13357 (47500)	13357 (47500)	13357 (47500)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	13610 (48400)	13610 (48400)	13610 (48400)	13610 (48400)	13610 (48400)	13610 (48400)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	14201 (50500)	14201 (50500)	14201 (50500)	14201 (50500)	14201 (50500)	14201 (50500)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	16647 (59200)	16591 (59000)	16591 (59000)	16591 (59000)	16591 (59000)	16591 (59000)

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