

Weekly Publication of



**Cotton
Association
of India**

COTTON STATISTICS & NEWS

Edited & Published by Amar Singh

2013 • No. 28 • 8th October, 2013 Published every Tuesday

Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033
Phone: 30063400 Fax: 2370 0337 Email: cai@caionline.in
www.caionline.in

TECHNICAL ANALYSIS

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures

(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 above information.)

We began our price outlook based on technical analysis. We will again 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 are expected to rise for a third straight week amid fears of crop damage triggering a delay in arrival.
- Fear of crop damage in Gujarat due to incessant rains in the past fortnight and a decline in

ending stock of the fibre will continue to support the prices.

- India's kharif cotton sowing area as on Oct 3 at 11.45 Mn. hectare.

Some of the fundamental drivers for International cotton prices are:

- The U.S., the No. 1 exporter and No. 3 producer of the fiber, has been suffering from poor growing weather in its top-producing states, which delayed the planting of the fiber and, subsequently, the development of the crop.

- The crop in top grower and consumer China has also been suffering from adverse weather, which has markets worried about near-term availability of cotton.

Arrival pressure could keep prices pressured in the domestic markets in the coming weeks while some concerns about moisture content continues to support prices on declines. We must say that the weakness seen during the previous month has abated and international

EXPERT'S Column



Shri Gnanasekar Thiagarajan

CAI Wishes All Our Readers A Happy Cotton Year 2013-14



prices have risen due to weather worries in producing countries.

We will now dwell into the various tools in technical analysis and forecast possible direction.

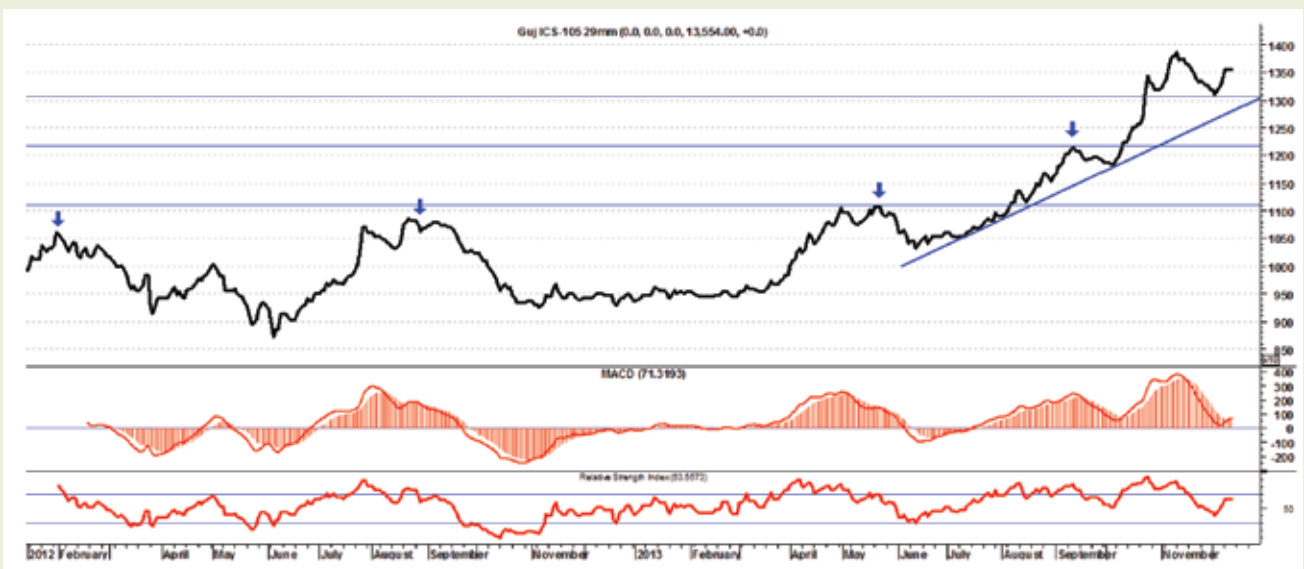
Prices are moving with an upward bias in the charts. A strong rising trendline support comes in at 13000-13500 levels. As per the charts, the rising trend line could offer good support in the short-term and hold prices from falling lower from there. Unexpected fall due to higher arrivals or any other fundamental trigger, could drag the prices sharply lower towards next important support at 12000-12500 levels in the coming weeks. We favour a decline to 12,000-12,500 in the coming weeks.

As seen in the chart above various support levels have emerged for Gujarat-ICS-105,29mm in

the coming weeks. After a long consolidation in the 8,000-10,000 range from 2011 to 2013, prices have broken above this range. Therefore, the 10,500 to 10,900 range should ideally hold any attempts to decline in the coming weeks and strong recoveries could only be seen from this zone. Otherwise, the chart is weak for a decline to 12,000 at least or even lower in the coming weeks and upside if any looks limited to 13,900- 14,000.

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

As explained in the previous update, unexpected rise above 87c could change the bearish view we had and prices could move higher towards 88.50/89.00 area, turning the outlook neutral from bearish. However, prices are still showing bearish





tendencies and any further upside could come from weather worries. If weather worries recede, NY cotton futures could start heading lower again towards 82-83c in the coming week or even lower.

CONCLUSION:

Both the domestic and international prices

show near-term weakness. However, we believe medium-term supports are quite strong both for ICE cotton futures near 81-82c and for Gujarat-ICS-105 29mm at 12,000- 13,000 levels and therefore, though prices display near-term weakness, it could find supports and hold attempts to decline in the coming weeks.

RUCHI WORLDWIDE LIMITED

Trustworthy Quality Supplier
Government Recognized Star Export House

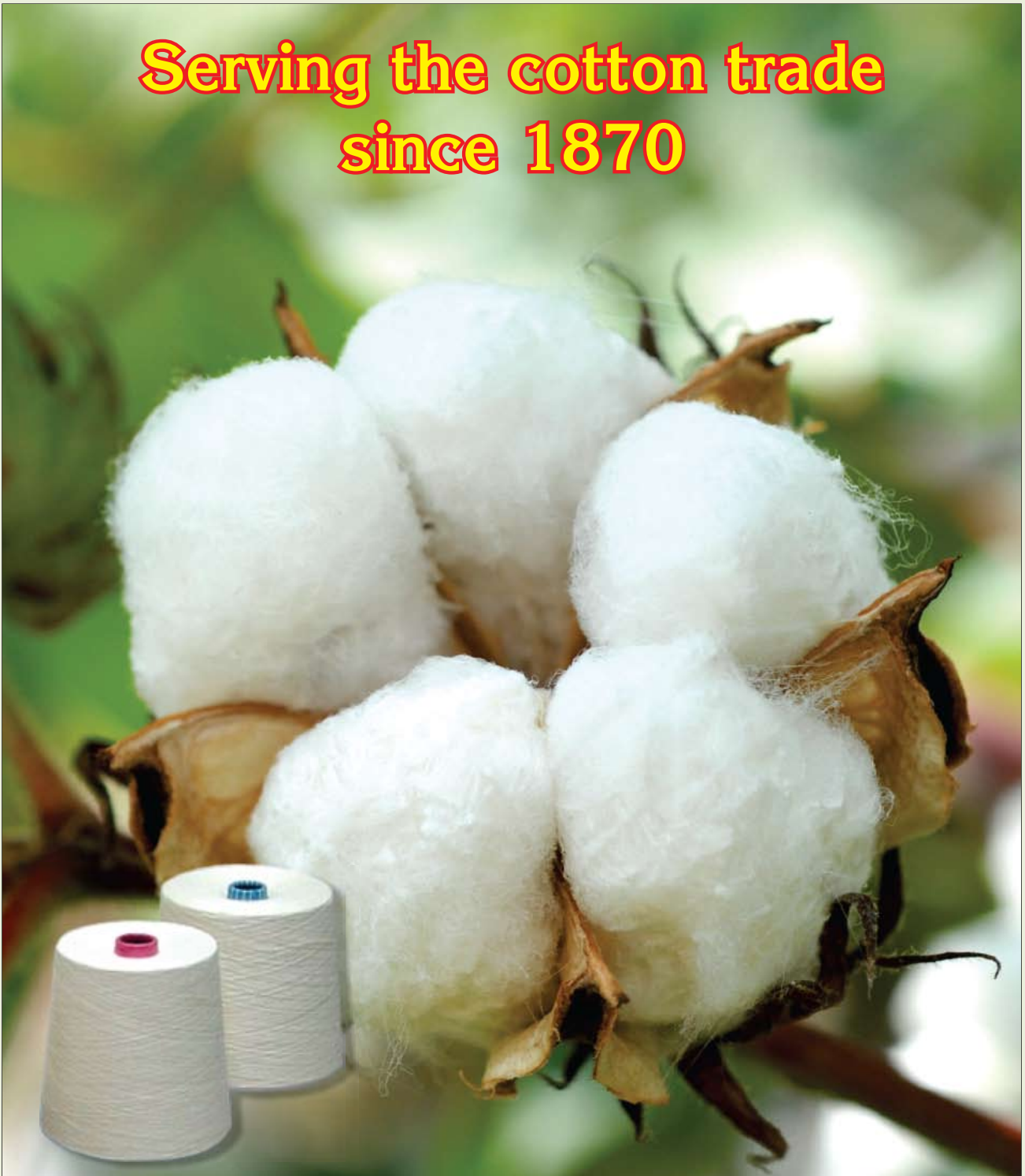
- ★ Leading Raw Cotton Exporter in India.
- ★ Fully owned subsidiary of Ruchi Soya Industries Ltd, India's No. 1 Agri Commodities Processing Company and Business conglomerate belongs to US\$ 6 Billion Ruchi Group.
- ★ A team of in-house experts who have over 200 years of combined experience of dealing in Indian raw cotton.
- ★ MEMBERSHIP: International Cotton Association, AQSIQ, Cotton Association of India, American Cotton Shippers Association (WCEA) & TEXPROCIL (Yarn Export).

Head Office:
Mahakosh House, 7/5, South Tukoganj, Nath Mandir Road, Indore - 452 001 (M.P.)
Ph.: +91-731-4017679, 2518162 Fax: +91-731-2527250

Regd. Office:
Ruchi House, Royal Palm, Aarey Colony, Mayur Nagar, Goregaon (E) Mumbai-400065 (M.H.)
Ph: 91-22-39388293/200

E-mail: cotton@ruchigroup.com
Website : www.ruchigroup.com

**Serving the cotton trade
since 1870**



Khimji Visram & Sons

**Khimji Visram & Sons (Commission Dept.)
(Govt. Recognised Trading House)**

K.V. Cotton Ginning & Pressing Co. Pvt. Ltd.

21, Mittal Chambers, 228 Nariman Point, Mumbai - 400 021. • Tel.: +91-22-2202 1874
• Fax : + 91-22-2204 1586 • E-mail : kvsd@vsnl.com • Web : www.khimjivisram.com

Final Statement of the 72nd Plenary Meeting “Emergent Challenges Facing the Cotton Value Chain”

The 72nd Plenary Meeting of the International Cotton Advisory Committee (ICAC) was held in Cartagena, Colombia from September 29 to October 4, 2013. Some of the highlights in the Final Statement issued by the ICAC are given below:

1. The International Cotton Advisory Committee (ICAC) met in Cartagena de Indias, Colombia, during September 29 to October 4, 2013 for its 72nd Plenary Meeting since the establishment of the Committee in 1939. There were 395 participants including representatives from 35 governments and 10 international organizations.

2. Government Policy is Distorting Production, Consumption and Trade: The Secretariat reported that world cotton consumption in 2013/14 is projected to be below production for the fourth consecutive season, and stocks are expected to reach a record level. The Secretariat observed that cotton prices are above their long-term average, supported by the procurement policy of the government of the largest cotton producing and consuming country in the world. This policy maintains domestic cotton prices at approximately 50% above current international prices. Stocks held in the national reserve of this country account for approximately half of world stocks. By artificially supporting prices, this policy is undermining the long-term competitiveness of the cotton industry and creating much uncertainty. When and how these stocks are liquidated is the key unknown factor that will define the fundamentals of the world cotton market over the next several years.

3. Meeting the Challenge of Interfiber Competition: The ICAC's Task Force on Competing Fibers reported that cotton's market share continues to decline and that cotton would face strong competition from alternative fibers for the rest of this decade. The Task Force listed several factors that undermine the competitiveness of cotton and put forward a number of suggestions for government, industry and ICAC action:

- a. Governments should avoid interventions in cotton markets, since the damaging consequences can increase price volatility, endanger contract sanctity, disrupt trade and cause a loss of market share to fibers with more stable prices.
- b. Governments should heighten transparency in cotton policies, and improve systems of providing statistics; uncertainty regarding government policies and inadequate statistics contribute to uncertainty and lead to poor decisionmaking.
- c. Governments should ensure that industry has access to tools of price risk management.
- d. Governments should introduce and/or enforce

fiber content labeling requirements to enable consumers to exercise preferences in favor of cotton.

- e. The cotton industry itself should communicate the positive attributes of cotton for the environment, economy and human health and wellbeing.
- f. The cotton industry and governments should strengthen efforts to improve efficiency by adopting standardized instrument testing, developing a standardized bale identification system, and adopt the FAO model phytosanitary certificate.
- g. The ICAC Secretariat should take a more proactive role in answering public criticisms of the cotton industry.

The plenary session approved the suggestions and requested that the Standing Committee give further consideration to each during the next year.

4. Metrics for Sustainability: The ICAC received a report from its Expert Panel on the Social, Environmental and Economic Performance of Cotton Production (SEEP), “Measuring sustainability in cotton farming systems: Towards a guidance framework.” SEEP provided recommendations about the indicators that should be used to measure sustainability in cotton production. The recommended indicators cover the three pillars of sustainability: social, environmental, and economic. There was a consensus among plenary meeting participants that any framework for measuring sustainability needs to be implemented on a country-by-country basis, and that committees should be formed in each country to create the initial framework of metrics and to ensure that the framework is updated as production practices evolve.

The Plenary Meeting accepted the recommendations, recognizing that discussions of sustainability are ongoing, and the Committee asked the SEEP Panel to complete its report on measuring sustainability for consideration by the ICAC. Representatives of governments and the private sector pledged to consider how best to implement the recommendations of SEEP in their countries.

5. Land Tenure Affects Agricultural Productivity: The ICAC was informed that in many countries more than half of the land used to grow cotton is rented or held in common at the village level, with negative implications for investments in irrigation, soil conservation practices, and other infrastructure. Governments can facilitate investments in land productivity by ensuring that farmers have clear,

enforceable titles or leases to land, by encouraging long term leases in place of annual leases, and by ensuring that producers have access to training, financing and inputs to enable them to be productive. Governments are encouraged to ensure that systems of land tenure are developed via an inclusive process of dialogue and consensus with all segments of society.

6. Encouraging Young Entrepreneurs in Cotton: The average age of cotton farmers in many countries is rising. It was noted that young people often see greater economic opportunities in urban professions and that in many countries public services are better in urban than in rural areas. Furthermore, farming is often held in low esteem. Governments discussed how career opportunities in the cotton value chain could be enhanced through access to credit, mentorships, increased education, expanded mechanization, by encouraging the formation of cooperatives, and with policies to provide greater security of land ownership.

7. Increasing the Visibility of Women in the Cotton Industry: Specialists noted that women provide most of the labor in smallholder cotton production, including planting, weeding, spraying, and harvesting. However, women often lack access to inputs, credit, extension services and markets, and that work-life balance issues often place greater stress on women than men in jobs within the value chain. Governments were encouraged to ensure that women have access to credit and inputs, are eligible for land ownership, and are supported with gender-sensitive technical support. Established cultural expectations that limit the roles of women in agriculture can be changed through public education campaigns. The Secretariat was requested to establish a "Women in Cotton Network" to exchange information and raise awareness of gender issues.

8. Completion of the Doha Round: ICAC members affirmed that the issues discussed in the Doha Round remain important and must be resolved. The Committee continues to support the World Trade Organization (WTO) for its role in promoting openness and facilitating the rule of law in trade matters, for the Dispute Settlement Understanding and for its contributions to economic development, and continues to urge governments to honor their WTO commitments regarding subsidies in sectors that compete with cotton. ICAC Members reiterated that cotton is an integral part of the Doha Development Agenda (DDA) and that there can be no successful conclusion of the DDA without an agreement on cotton. Many members supported the long outstanding request of the C4 for an end to direct subsidies that distort production and trade in cotton.

9. Cotton Identity Programs: The Committee received a report from its Task Force on Cotton Identity Programs, set up to analyze and compare

various cotton based initiatives. The Task Force reported that production of cotton under organic, Fairtrade, BCI and Cotton made in Africa amounted to nearly 4% of world cotton production in 2011/12. The Committee expressed an interest in staying informed on developments as regards these and other identity programs. The Secretariat was instructed to work with the Task Force to ensure efficient collection of information about production, marketing and pricing under each program, and to determine the future role of the Task Force. The full report of the Task Force is available on the Secretariat's web site.

10. Promoting Efficiency in Cotton Trade: The Committee's Private Sector Advisory Panel (PSAP) informed governments that universal adoption of the model phytosanitary certificate that has been prepared by the Food and Agriculture Organization of the United Nations (FAO), harmonization of Electronic Bills of Lading, and implementation of a common system of bale identification would increase efficiencies in world cotton trade.

11. Multiple Voices: The PSAP noted that the European Union has expressed an interest in joining the ICAC. The PSAP urged governments to take care that the multiple voices from the private sector continue to be heard by members of the ICAC.

12. Trade Disruptions Undermine Profitability: The PSAP reported that contract enforcement underpins profitability and urged governments to avoid trade-distorting measures. Disruptions to cotton marketing exacerbate problems of contract defaults, create unfair competition, and have negative long-term impacts on the cotton value chain worldwide as spinners respond to such disruptions by reducing cotton use in favor of other fibers.

13. The Committee received a report from the Government of Argentina about a program called PROCALGODON. This program is an effort to ensure that the Argentine cotton industry is implementing recommendations from the ICAC and the Private Sector Advisory Panel. The program works to improve transparency and bale traceability, improve cotton quality and eliminate contamination, improve farmer incomes through optimal input use, and implement standardized instrument testing of cotton.

14. New Executive Director: Member Governments expressed their appreciation to the outgoing executive director, Terry Townsend, for his work during 25 years with the Committee, including 15 as executive director. They wished him well in his new endeavors beginning January 1, 2014. Governments gave a warm welcome to Mr. José Sette as the incoming executive director. Mr. Sette was chosen based on merit by a task force composed of representatives from 21 member countries of the ICAC. Mr. Sette will be the sixth executive director since the Secretariat was formed in 1947.

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) 2012-13 Crop SEPTEMBER - OCTOBER 2013					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	30th	1st	2nd	3rd	4th	5th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0 - 7.0	15	10686 (38000)	10686 (38000)	H	10686 (38000)	10686 (38000)	10686 (38000)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0 - 7.0	15	10967 (39000)	10967 (39000)		10967 (39000)	10967 (39000)	10967 (39000)
3	GUJ	ICS-102	Fine	22mm	4.0 - 6.0	20	8492 (30200)	8492 (30200)		8492 (30200)	8492 (30200)	8492 (30200)
4	KAR	ICS-103	Fine	23mm	4.0 - 5.5	21	9589 (34100)	9589 (34100)	O	9589 (34100)	9589 (34100)	9589 (34100)
5	M/M	ICS-104	Fine	24mm	4.0 - 5.5	23	11135 (39600)	11135 (39600)		11135 (39600)	11135 (39600)	11135 (39600)
6	P/H/R	ICS-202	Fine	26mm	3.5 - 4.9	26	11923 (42400)	12063 (42900)	L	12204 (43400)	12204 (43400)	12120 (43100)
7	M/M/A	ICS-105	Fine	26mm	3.0 - 3.4	25	12345 (43900)	12345 (43900)		12288 (43700)	12288 (43700)	12288 (43700)
8	M/M/A	ICS-105	Fine	26mm	3.5 - 4.9	25	12626 (44900)	12682 (45100)		12626 (44900)	12626 (44900)	12626 (44900)
9	P/H/R	ICS-105	Fine	27mm	3.5 - 4.9	26	12345 (43900)	12373 (44000)	I	12485 (44400)	12485 (44400)	12401 (44100)
10	M/M/A	ICS-105	Fine	27mm	3.0 - 3.4	26	12626 (44900)	12654 (45000)		12598 (44800)	12598 (44800)	12598 (44800)
11	M/M/A	ICS-105	Fine	27mm	3.5 - 4.9	26	12851 (45700)	12907 (45900)	D	12851 (45700)	12851 (45700)	12851 (45700)
12	P/H/R	ICS-105	Fine	28mm	3.5 - 4.9	27	12513 (44500)	12598 (44800)		12626 (44900)	12626 (44900)	12541 (44600)
13	M/M/A	ICS-105	Fine	28mm	3.5 - 4.9	27	13357 (47500)	13441 (47800)		13357 (47500)	13357 (47500)	13357 (47500)
14	GUJ	ICS-105	Fine	28mm	3.5 - 4.9	27	13413 (47700)	13498 (48000)	A	13413 (47700)	13413 (47700)	13413 (47700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5 - 4.9	28	13526 (48100)	13610 (48400)		13526 (48100)	13526 (48100)	13526 (48100)
16	GUJ	ICS-105	Fine	29mm	3.5 - 4.9	28	13554 (48200)	13638 (48500)		13554 (48200)	13554 (48200)	13554 (48200)
17	M/M/A/K	ICS-105	Fine	30mm	3.5 - 4.9	29	13610 (48400)	13666 (48600)	Y	13582 (48300)	13582 (48300)	13582 (48300)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5 - 4.9	30	13694 (48700)	13751 (48900)		13666 (48600)	13666 (48600)	13666 (48600)
19	K/A/T/O	ICS-106	Fine	32mm	3.5 - 4.9	31	13863 (49300)	13919 (49500)		13835 (49200)	13835 (49200)	13835 (49200)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0 - 3.8	33	16169 (57500)	16169 (57500)		16169 (57500)	16169 (57500)	16169 (57500)

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