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Cotton Exchange Building, 2nd Floor, Cotton Green, Mumbai - 400 033
Phone: 3006 3400 Fax: 2370 0337 Email: cai@caionline.in
www.caionline.in

Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 31/10/17 to 28/11/17

(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 edged higher, even though arrivals have been on the rise as intervention from the government is expected. An estimated record crop of 400 lakh bales of cotton in 2017-18 is expected to push the cotton farmer into a precarious situation.

- The ICAC's (International Cotton Advisory Committee) latest report has predicted a similar

situation in other cotton growing countries, resulting in 75 per cent surplus cotton globally in 2017-18. The season has just commenced. Arrivals are expected to peak over the next four weeks and this situation would normally last till end February.

- Besides, buyers were not very active, as they anticipated a further dip in the prices. On the other hand, wealthy farmers were now keen to hold back their stock, hoping for better prices in the coming months.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures edged up on Monday as concerns of crop damage in top producer Texas persisted, ahead of crop progress data from the U.S. government.

- On Monday, the U.S. Department of Agriculture's weekly crop progress report showed 46 percent of cotton crop was harvested in the United States by the week ended Oct. 29, up from 37 percent in the previous week. It rated 55 percent of the U.S. cotton crop in good to excellent condition, slightly down from 56 percent a week ago, the report said.

- On Friday, Commodity Futures Trading Commission data showed that the speculators

EXPERT'S Column



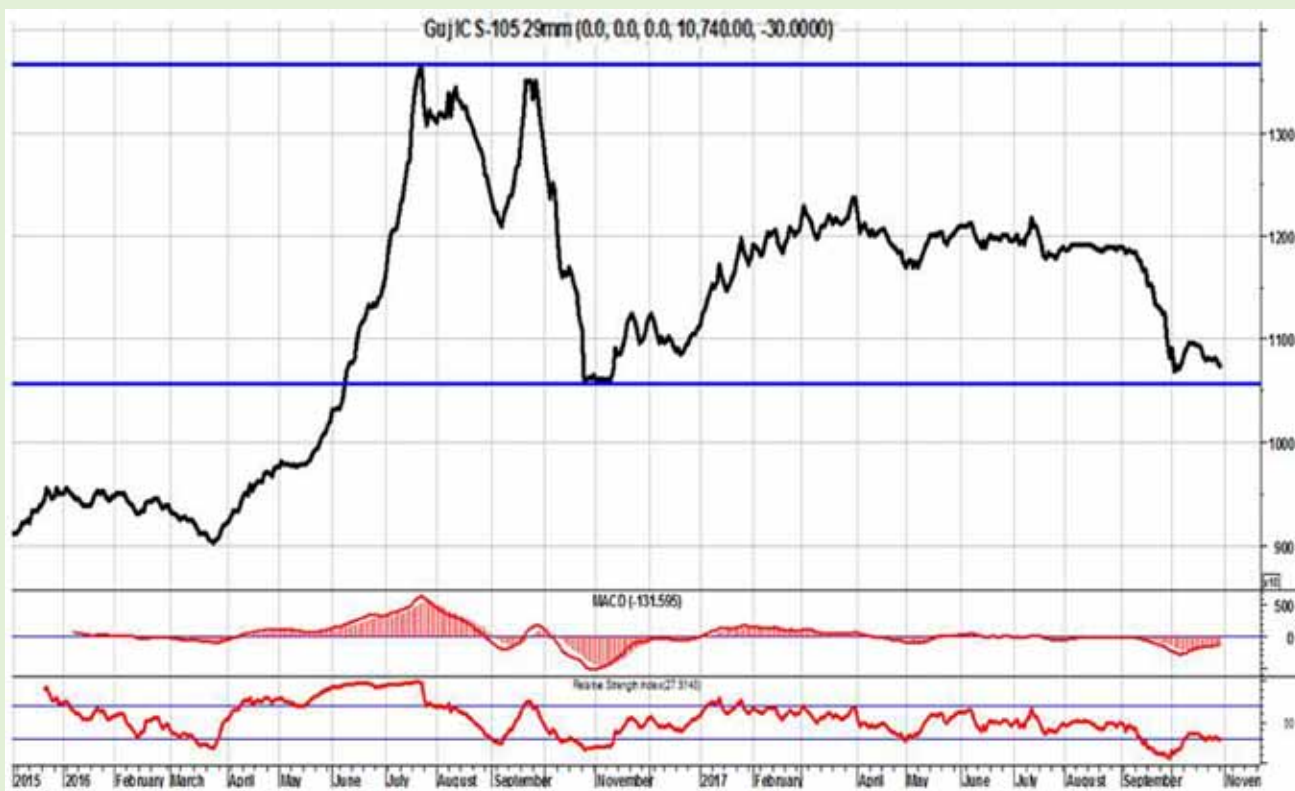
Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

raised their net long position by 173 contracts to 48,922 in the week up to Oct. 24.

Technical indications are still bearish as expected. After moving in a broad range of 11,400-12,200 /qtl range, prices have dropped sharply. As cautioned earlier, it is still finding difficult to sustain and push higher. Some consolidation is

seen, that gives hope for a possible corrective up move towards 11,250 levels. But, it could still be vulnerable for a drop in the coming months if it fails to follow-through higher.

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 10,700-11,000/qtl range followed by more important support at 10,500/qtl zone now. It looks like prices could stage a rebound higher to 11,500-600 levels before resuming the decline lower again. The indicators are in a neutral position, indicating a possible range bound market ahead.

MCX November Contract Chart

The MCX benchmark November cotton chart is moving in a range with a mild bullish bias with the possibility of testing 18,600 or even higher to 18,800 in the coming sessions. But, it is difficult to see it sustain the momentum and rise higher further. A fall below 18,000 could hint at going to 17,500 or even lower.

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

As mentioned earlier, our favoured view is mildly bullish initially for 69-71c levels again followed by a break below 67c, opening the way for further declines to 63-64c levels. Strong support was seen at 67c levels and the bounce back to 70c from there has been impressive with a possibility of it extending higher to 72.50c or even higher to 74c in the coming weeks. Only an

unexpected close above 75c could revive bullish hopes again.

CONCLUSION:

Both the domestic and international prices are moving in a range with a mild bullish bias. The technical picture presently is neutral with some mild indications of bullishness which could be temporary. Only a rise above 75c could revive bullish hopes again. The international prices indicate some near-term strength, but the medium-term picture looks very bearish, while the domestic prices look benign.

For Guj ICS supports are seen at 11,200/qtl followed by 11,000 /qtl, and for ICE Dec cotton futures at 67c followed by 64c. 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. As we have been maintaining, though international markets could potentially change direction and push higher, but the technical picture is indicating that prices will edge lower to 64c on the downside and the domestic prices to edge lower around the 10,800/qtl levels in the coming weeks after a minor recovery upwards. We still maintain the same view in this update as well.

COTAAP Corner

Events for September - October 2017

In spite of good and vigorous growth of irrigated cotton in the area, biotic and abiotic stress like fluctuations in temperature, fog during August and September has resulted in the reddening and defoliation of cotton plants. Everybody was anxious about a recurrence of pink bollworm epidemic prior to this season, but the sudden reddening followed by defoliation of hybrid cottons in the area has created new challenge before researchers, scientist, extension workers and farming community this year.

The sudden reddening and defoliation of pre-monsoon sown cotton will reduce the productivity of cotton. It has already caused flower drop, hampered boll development and further growth of cotton crop; thereby showing total death of cotton crop forcing farmers to uproot the cotton crop just after first two to three pickings and opting for rabi crops. Looking at the decreasing fertility of soil, inefficiency on part of hybrids to sustain vigorous growth throughout the productive phase, this problem of defoliation of cotton will create major challenge for cotton community in India in the coming years.

Awareness created by COTAAP resulted into timely check of pink bollworm in the region. Some of the important activities conducted by COTAAP during this month were:

Anti-contamination awareness programmes:

Activities were conducted to create awareness regarding picking of contamination free cotton. As picking of cotton in early sown

fields is in full swing, defoliation and reddening of cotton plants followed by returning monsoon may increase contamination in cotton. Looking at this possibility, the COTAAP staff conducted meetings in villages to educate farmers about anti contamination measures. Flex banners were also displayed regarding anti-contamination practices.

Distribution of soil testing reports to farmers in Majrehol village:

COTAAP has been adopting a village with problematic soil every year. All the farmers from that village are included in this project. Soil samples are collected from each and every farm, tested and report cards are distributed. This year, a total 139 farmers participated from Majrehol village. Soil testing reports were distributed to all the farmers and remedial measures were recommended, according to the problems indicated in the test report. Interaction and training programme by Soil Scientist Dr. Ravankar, will be conducted next month.



Soil testing reports being distributed in Majrehol village.

Coordination committee meetings:

COTAAP has been guiding farmers every year about pesticides. But in the wake of reports that the recent deaths of 39 farmers and workers in the Vidarbha region were caused by incorrect mixing of pesticides, sale of unauthorised chemicals and absence of protective gear, COTAAP and its coordination committee members conducted

स्वच्छ कापूस वेचणी/वाहतुक/पुखता प्रोत्साहन अभियान

कापूस वेचणी व साठवणुक करताना प्रदाववाची काळजी

- शेतातील 10 ते 40 टक्के बोंडे चुटली म्हणजे पहिली वेचणी करावी
- स्वच्छ वेचणी म्हणून सकाळी वेचणी करावी.
- वेचताना किडका, पिचबसर, काढी कापूस वेगवेगळा ठेवावा.
- नंतरच्या 2 ते 3 वेचण्या 45 ते 20 दिवसांच्या अंतराने कराव्यात.
- प्रत्येक प्रतिपद्या/वापणा कापूस वेगळा बाळगवा व साठवावा.
- कापूस वेचणी करताना मातीवर टाकू नये. कपडावर टाकावा.
- वेचणी, वाहतुक व साठवण करताना मायलॉन, प्लास्टिक, टेंरीकॉट, छताच्या गोळा बायरु नये (वा ऐपजी कापडी छोटी, कायडी गोळा वापरण्यात).
- साठवणुक करताना स्वच्छ केस, प्लास्टिक, पाती खेळणी लोखंडी वस्तु इत्यादी भेसाळ होतु देतु नये.

कापूस भेसळीत वापरलीत उरणाऱ्या वस्तु

- गुटका व पानमसाला पुडी
- सुराक्षी
- रंगीत कापडाचा धागा
- पांढरी व रंगीत प्लास्टिक दोरी
- कापडाची पिंपी
- छिद्रा, प्लेट, तार इ.
- पती, काळ्या इ.
- केस इ.

Anti contamination campaign. Awareness was created among farmers by personal visits and display of poster.

two consecutive meetings to discuss holding awareness programmes for farmers on the safe and correct usage of pesticides, as a precautionary measure. Keeping in mind the sudden reddening

and defoliation problem occurring in the area, it was decided that guidance should be sought from CICR, Nagpur, and correspondence to that end has already been initiated.



Reddening, followed by defoliation and of death of cotton plant in pre-monsoon sown plot.



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Sneh Sammelan at CAI

In keeping with tradition, the Cotton Association of India in association with The Bombay Cotton Merchants' and Muccadums' Association organised a Sneh Sammelan, a get together to celebrate Diwali and New Year on Wednesday, October 25, 2017. It was well attended by a large number of members.

The annual Sneh Sammelan offers a wonderful opportunity for all segments of the cotton community to come together, exchange views and wish each other on this happy occasion.

Shri. Atul Ganatra, President, CAI, welcomed the members present on the occasion and expressed hope that the current season would bring all round

prosperity for the cotton trade and benefit all the members.

Everybody present at the get-together prayed to Lord Ramchandrajai and partook the prasad.



Production & Stock of Spun Yarn (SSI & Non-SSI)

(In Mn. Kgs.)

MONTH / YEAR	PRODUCTION				STOCK			
	COTTON	BLENDED	100% N.C.	G. TOTAL	COTTON	BLENDED	100% N.C.	G. TOTAL
2007-08	2948.36	677.11	377.75	4003.22	104.81	43.57	20.59	168.97
2008-09	2896.15	654.89	360.95	3911.99	89.04	33.54	15.03	137.61
2009-10	3078.97	707.31	407.15	4193.43	85.56	25.68	11.41	122.65
2010-11	3489.77	796.47	426.38	4712.62	186.43	48.79	18.00	253.22
2011-12	3126.34	789.29	457.08	4372.72	110.87	42.20	20.44	173.51
2012-13	3582.68	828.19	456.75	4867.61	107.92	40.37	21.38	169.67
2013-14	3928.26	896.19	484.99	5309.45	133.80	51.33	23.40	208.53
2014-15	4054.51	920.20	512.92	5487.64	140.60	48.30	22.48	211.38
2015-16	4137.83	972.50	554.79	5664.93	140.68	49.46	22.99	213.13
2016-17 (P)	4060.99	1033.50	572.02	5666.51	147.61	57.99	25.47	231.08
2017-18 (P) (Apr-Aug)	1694.67	431.10	232.33	2358.10	181.98	59.97	30.85	272.79
2015-16								
April-15	349.38	77.11	44.07	472.51	141.19	51.45	21.33	213.98
May-15	348.14	80.02	44.74	472.90	153.07	52.34	23.79	229.21
June-15	346.72	79.68	45.27	471.66	158.57	55.72	23.93	238.22
July-15	356.36	82.15	47.48	485.98	160.33	61.25	26.62	248.20
Aug.-15	354.67	82.24	49.97	486.88	166.34	63.73	27.88	257.95
Sept.-15	338.53	79.51	45.41	463.45	165.96	62.33	26.16	254.46
Oct.-15	342.12	83.61	47.35	473.08	170.07	64.46	25.69	260.23
Nov.-15	320.06	77.67	43.27	441.01	173.96	61.59	24.17	259.72
Dec.-15	353.31	81.30	49.86	484.31	158.66	58.22	25.34	242.22
Jan.-16	343.98	83.34	46.84	474.26	158.52	57.55	25.10	241.18
Feb.-16	336.55	80.94	43.12	460.60	155.36	52.18	22.81	230.35
Mar.-16	348.01	83.87	46.35	477.03	140.68	49.46	22.99	213.13
2016-17 (P)								
April-16	334.30	80.55	46.49	461.35	127.63	48.99	24.26	200.88
May-16	360.75	85.95	53.50	500.20	132.43	54.79	26.25	213.47
June-16	352.00	89.10	50.87	491.97	130.99	50.84	21.46	203.30
July-16	343.34	88.21	48.26	479.81	135.93	56.50	23.91	216.34
Aug.-16	334.43	91.29	49.75	475.47	155.65	54.65	22.55	232.85
Sept.-16	326.58	88.40	51.75	466.73	153.30	59.84	24.04	237.19
Oct.-16	310.67	83.67	49.21	443.55	167.46	63.94	28.84	260.23
Nov.-16	326.48	85.28	44.98	456.74	166.74	70.98	32.91	270.63
Dec.-16	342.33	84.16	43.75	470.25	165.62	69.09	28.62	263.32
Jan.-17	345.69	86.11	44.49	476.29	147.10	61.40	26.95	235.44
Feb.-17	330.98	83.40	42.34	456.73	154.12	61.57	26.75	242.44
Mar.-17	353.44	87.37	46.61	487.42	147.61	57.99	25.47	231.08
2017-18 (P)								
April-17	336.44	86.85	46.11	469.40	134.81	58.45	25.40	218.66
May-17	340.05	85.76	46.20	472.00	145.03	58.23	24.88	228.14
June-17	338.33	84.50	48.16	470.99	155.09	50.33	22.25	227.67
July-17	342.13	86.71	46.25	475.10	173.05	58.37	24.15	255.57
Aug.-17	337.72	87.28	45.61	470.61	181.98	59.97	30.85	272.79

P - Provisional

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 OCTOBER 2017					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	23rd	24th	25th	26th	27th	28th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11220 (39900)	11220 (39900)	11220 (39900)	11220 (39900)	11220 (39900)	11220 (39900)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11501 (40900)	11501 (40900)	11501 (40900)	11501 (40900)	11501 (40900)	11501 (40900)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	7733 (27500)	7733 (27500)	7733 (27500)	7733 (27500)	7733 (27500)	7733 (27500)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	8942 (31800)	8942 (31800)	8942 (31800)	8942 (31800)	8942 (31800)	8942 (31800)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)	9701 (34500)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	9898 (35200)	9898 (35200)	9983 (35500)	9983 (35500)	10011 (35600)	10011 (35600)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	9476 (33700)	9476 (33700)	9476 (33700)	9476 (33700)	9476 (33700)	9476 (33700)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	9842 (35000)	9842 (35000)	9926 (35300)	9926 (35300)	9926 (35300)	9926 (35300)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	10179 (36200)	10179 (36200)	10264 (36500)	10292 (36600)	10292 (36600)	10292 (36600)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10123 (36000)	10123 (36000)	10264 (36500)	10264 (36500)	10264 (36500)	10264 (36500)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	10348 (36800)	10404 (37000)	10404 (37000)	10376 (36900)	10376 (36900)	10376 (36900)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	10714 (38100)	10714 (38100)	10686 (38000)	10686 (38000)	10657 (37900)	10629 (37800)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	10714 (38100)	10714 (38100)	10686 (38000)	10686 (38000)	10657 (37900)	10629 (37800)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	10854 (38600)	10854 (38600)	10826 (38500)	10770 (38300)	10742 (38200)	10714 (38100)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	10826 (38500)	10826 (38500)	10798 (38400)	10798 (38400)	10770 (38300)	10742 (38200)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	10967 (39000)	10967 (39000)	10911 (38800)	10826 (38500)	10826 (38500)	10798 (38400)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	11304 (40200)	11304 (40200)	11248 (40000)	11248 (40000)	11248 (40000)	11220 (39900)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	11810 (42000)	11810 (42000)	11754 (41800)	11754 (41800)	11754 (41800)	11754 (41800)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	13919 (49500)	13919 (49500)	13919 (49500)	13919 (49500)	13919 (49500)	13919 (49500)

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