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Technical Analysis

Price outlook for Gujarat-ICS-105, 29mm and ICE cotton futures for the period 28/11/17 to 26/12/17

(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 rose higher as investors initiated fresh buying on higher domestic demand and on concerns due to pest damage in key cotton growing states. Moreover, commencement of procurement by CCI has also pushed cotton prices higher.

- The trade is also speculating a big fall in output due to the pink bollworm attacks in some states, even though there is little clarity yet on the extent of the damage. Field after field in the various districts of Vidarbha, planted with cotton during the *rabi* sowing season a couple of months back, have been infested with the pink bollworm

and farmers are at their wits' end combating the pest.

- 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.

- The Cotton Association of India had pegged India's 2017-18 cotton production at 375 lakh bales (each 170 kg). Cotton bolls are plucked multiple times and about 70% of the crop has already been harvested.

Some of the fundamental drivers for International cotton prices are:

- ICE cotton futures rose over 1 percent to hit an over 2-1/2-month high on Wednesday fuelled by technical buying, a day ahead of export sales data from the U.S. Department of Agriculture (USDA).

- The USDA projected 2018-19 planting of upland cotton at 11.2 million acres, down from 12.4 million in 2017-18, and forecast upland cotton production at 17.4 million bales, down from 20.650 million the previous year.

- On Monday, the U.S. Department of Agriculture's (USDA) weekly crop progress report

EXPERT'S Column



Shri Gnanasekar Thiagarajan
Director, Commtrendz Research

showed 79 percent of the cotton crop was harvested in the United States by the week ending Nov. 26, up from 74 percent in the previous week.

- Meanwhile, speculators raised net long positions by 6,676 contracts to 50,961 in the week to Nov. 21, Commodity Futures Trading Commission data showed.

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, prices could still be vulnerable for a drop in the coming months if there is failure to follow-through higher. A fall below 11,200 levels has changed the near-term outlook in cotton to bearish. Prices are most likely headed to 9,700 levels in the coming sessions as per technicals.



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. Mild upward corrections are possible in between as the indicators are slightly oversold. But, the trend remains weak decisively. It looks like prices could find it difficult to cross 11,200-300 in the near-term. Only a close above 11,700 could change the picture to bullish again.

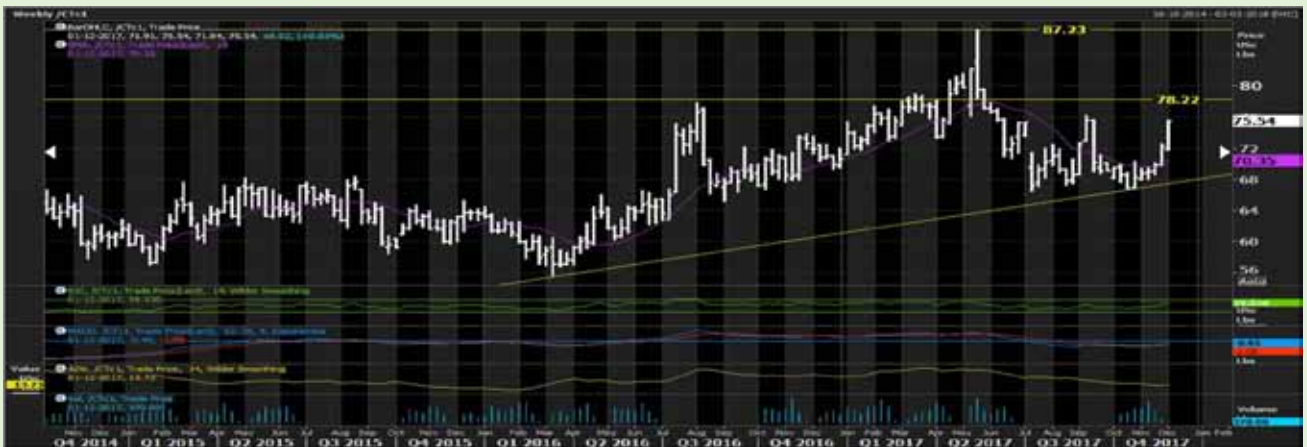


MCX November Contract Chart



The MCX benchmark December cotton chart is moving in a range with a mild bullish bias with the possibility of testing 19,000 levels or even higher. A break above 18,500-600 has opened the upside in the short-term. But, it is difficult to see it sustain the momentum and rise higher further. Any fall below 18,300 could hint at weakness at 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 for the active month of December. As illustrated in the previous update, an unexpected close above 75c could revive bullish hopes again. Initial resistance is at 76c followed by a stronger one at 78c. Ideally, it could find it difficult to cross beyond this resistance in the short-term. But, while 73c holds, a close above 78c could open the upside again for 84-85c in the coming sessions.

CONCLUSION:

Both the domestic and international prices are moving in a range with a bullish bias. The technical picture presently is neutral to bullish with some mild indications of strong bullishness which could be temporary. Only a rise and close above 78c could revive bullish hopes again. The international prices indicate some near-term strength, but the medium-term picture still looks neutral, while the domestic prices look benign.

For Guj ICS supports are seen at 10,500 /Qtl followed by 10,000 /Qtl, and for ICE Dec cotton futures at 73c followed by 71c. Fall below 11,500 /qtl has weakened the bullish picture in the domestic markets and in the international markets prices are indicating a possible bullish turnaround. As we have been maintaining, though international markets could potentially change direction and push higher, but the technical picture is indicating prices to edge higher to 78c on the upside and the domestic prices to edge higher to 11,400-500 /Qtl levels in the coming weeks. The domestic technical picture is not as friendly as the international one, but things could change due to news flows again. Dollar strength going ahead could be a dampener as the rate hike cycle begins in the US.

COTAAP Corner

Events for November 2017

Crop Condition:

The harvesting of cotton in the Chopda area is almost in its last phase. Although the vegetative growth of cotton plant looks good, Pink bollworm has totally infested the crop. Bolls have been internally damaged due to the pink bollworm infestation. Rather than taking the risk of the further flush being infested, a majority of farmers are uprooting cotton and opting for rabi sowing of gram, maize, etc.

Major Activities and Events at COTAAP Chopda Unit :

Coordination Committee Meeting at Adgaon:

A Coordination Committee meeting was held at Adgaon village, Chopda on 16th November 2017. Shri. Dhiren N. Sheth, Chairman, COTAAP Research Foundation, Mumbai, presided over the meeting, Shri. Raja Gokulgandhi, Director CAI explained the procedure as well as importance of the Tata Mumbai Marathon

and appealed for more participation. Planning for participation in marathon scheduled on the third Sunday of January 2018 was discussed. A number of members and young farmers showed interest in running for COTAAP in the next marathon. Issues like crop conditions, problems faced and innovative practices adopted, were also discussed at length by the Coordination Committee. Shri. Sheth proposed that COTAAP activities should reach all villages in this region. He also proposed to widen the activities of COTAAP in other states.

Shri. Pradeep Gujarathi, Trustee, COTAAP spoke about the activities conducted to date and informed everybody about the proposed farmers rally in December. Shri. Sheth visited the "Bamboo staking cotton field" project of farmer Shri. Ambadas Patil at Adgaon and found satisfactory improvement in the yield. He appreciated the efforts of the Coordination Committee and said that the success of COTAAP activities would not have been possible without the single-minded efforts of the committee.



Shri. Dhiren N. Sheth, Chairman, COTAAP Research Foundation, Mumbai, presides over the Coordination Committee meeting



Visit to cotton bamboo staking plot

Pink Bollworm Research Activity :

Damage to cotton by pink bollworm (PBW) is the major problem estimated to decrease the yield by about 30 to 60 % in various fields. COTAAP has already conducted training and awareness under the guidance of entomologist Dr. N. R. Patange from the National Research Centre, Aurangabad, wherein five fields for demonstration of PBW management technology and five fields under traditional practices are already under observation. Samples of PWM and affected bolls will be sent to the research station. Dr. Patange will observe all the stages of PBW insect and those fields infected by any pathogen

or parasite will be isolated and the controlling organism will be identified for its possibility to use as biological control in future.

Collection of Cotton Samples :

COTAAP is conducting this programme since 2012-13 and 274 samples have been collected so far. From this season, 38 samples have been collected and 30 more will be collected up to December end. The aim is to identify the majority of sown varieties and to preserve their samples with seed. This project helps to understand the trend in cotton cultivation.



Visit to training centre

Cotton Yarn Production

(In Mn. kg)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (P)
April	273.77	268.06	268.2	316.61	328.68	349.38	333.84	336.01
May	283.69	255.56	286.19	314.97	332.92	348.14	360.30	339.55
June	284.79	248.29	288.40	317.69	330.69	346.72	351.53	337.84
July	302.16	256.73	301.34	332.12	340.00	356.36	342.87	341.81
August	300.34	262.74	302.85	336.30	338.09	354.67	333.93	337.40
September	297.68	258.97	296.74	326.09	334.03	338.53	326.09	
October	301.55	241.83	302.65	328.79	323.53	342.12	310.24	
November	283.52	243.85	282.88	312.13	335.66	320.06	326.15	
December	308.78	269.82	314.21	341.67	353.96	353.31	341.86	
January	296.87	279.19	315.07	340.38	349.82	343.98	345.24	
February	272.99	269.01	302.59	321.31	330.35	336.55	330.01	
March	283.63	272.29	321.57	340.20	356.78	347.84	352.79	
TOTAL	3489.78	3126.34	3582.68	3928.27	4054.51	4137.64	4054.85	1692.61

P – Provisional

(Source: Office of the Textile Commissioner)



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LABORATORY LOCATIONS

Current locations : • **Maharashtra :** Mumbai; Akola; Aurangabad • **Gujarat :** Rajkot; Mundra; Ahmedabad • **Andhra Pradesh :** Guntur, Warangal
• **Madhya Pradesh :** Indore • **Karnataka :** Hubli • **Punjab :** Bathinda
Upcoming locations : • **Telangana:** Adilabad



COTTON ASSOCIATION OF INDIA

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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) 2017-18 Crop NOVEMBER 2017					
Sr. No.	Growth	Grade Standard	Grade	Staple	Micronaire	Strength /GPT	20th	21st	22nd	23rd	24th	25th
1	P/H/R	ICS-101	Fine	Below 22mm	5.0-7.0	15	11445 (40700)	11445 (40700)	11557 (41100)	11445 (40700)	11445 (40700)	11445 (40700)
2	P/H/R	ICS-201	Fine	Below 22mm	5.0-7.0	15	11726 (41700)	11726 (41700)	11838 (42100)	11726 (41700)	11726 (41700)	11726 (41700)
3	GUJ	ICS-102	Fine	22mm	4.0-6.0	20	8014 (28500)	8014 (28500)	8014 (28500)	8070 (28700)	8070 (28700)	8070 (28700)
4	KAR	ICS-103	Fine	23mm	4.0-5.5	21	9026 (32100)	9026 (32100)	9026 (32100)	9026 (32100)	9026 (32100)	9026 (32100)
5	M/M	ICS-104	Fine	24mm	4.0-5.0	23	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)	9729 (34600)
6	P/H/R	ICS-202	Fine	26mm	3.5-4.9	26	10151 (36100)	10151 (36100)	10151 (36100)	10123 (36000)	10151 (36100)	10179 (36200)
7	M/M/A	ICS-105	Fine	26mm	3.0-3.4	25	9448 (33600)	9448 (33600)	9420 (33500)	9420 (33500)	9448 (33600)	9448 (33600)
8	M/M/A	ICS-105	Fine	26mm	3.5-4.9	25	9842 (35000)	9842 (35000)	9814 (34900)	9814 (34900)	9842 (35000)	9842 (35000)
9	P/H/R	ICS-105	Fine	27mm	3.5-4.9	26	10376 (36900)	10376 (36900)	10376 (36900)	10348 (36800)	10376 (36900)	10404 (37000)
10	M/M/A	ICS-105	Fine	27mm	3.0-3.4	26	9673 (34400)	9673 (34400)	9617 (34200)	9617 (34200)	9645 (34300)	9645 (34300)
11	M/M/A	ICS-105	Fine	27mm	3.5-4.9	26	10095 (35900)	10095 (35900)	10095 (35900)	10095 (35900)	10123 (36000)	10123 (36000)
12	P/H/R	ICS-105	Fine	28mm	3.5-4.9	27	10489 (37300)	10461 (37200)	10461 (37200)	10432 (37100)	10461 (37200)	10489 (37300)
13	M/M/A	ICS-105	Fine	28mm	3.5-4.9	27	10292 (36600)	10236 (36400)	10208 (36300)	10208 (36300)	10236 (36400)	10236 (36400)
14	GUJ	ICS-105	Fine	28mm	3.5-4.9	27	10404 (37000)	10348 (36800)	10292 (36600)	10292 (36600)	10320 (36700)	10320 (36700)
15	M/M/A/K	ICS-105	Fine	29mm	3.5-4.9	28	10432 (37100)	10404 (37000)	10376 (36900)	10376 (36900)	10404 (37000)	10404 (37000)
16	GUJ	ICS-105	Fine	29mm	3.5-4.9	28	10489 (37300)	10461 (37200)	10461 (37200)	10461 (37200)	10489 (37300)	10489 (37300)
17	M/M/A/K	ICS-105	Fine	30mm	3.5-4.9	29	10601 (37700)	10601 (37700)	10573 (37600)	10573 (37600)	10601 (37700)	10601 (37700)
18	M/M/A/K/T/O	ICS-105	Fine	31mm	3.5-4.9	30	10911 (38800)	10854 (38600)	10826 (38500)	10798 (38400)	10826 (38500)	10854 (38600)
19	A/K/T/O	ICS-106	Fine	32mm	3.5-4.9	31	11529 (41000)	11529 (41000)	11529 (41000)	11473 (40800)	11473 (40800)	11501 (40900)
20	M(P)/K/T	ICS-107	Fine	34mm	3.0-3.8	33	14229 (50600)	14229 (50600)	14229 (50600)	14229 (50600)	14229 (50600)	14229 (50600)

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